Unemployment Insurance

The “Receiving Income from Government” unit explains a number of programs that provide financial assistance to Americans who need it, usually due to temporary situations like job loss.

Here’s an introduction to four of these programs, plus a fifth program that is specially designed to encourage and reward employment.

Unemployment Insurance provides temporary, partial replacement of income for workers who have lost their jobs through no fault of their own.

Unemployment Insurance was created in 1935, in the midst of the Great Depression. It had three purposes, which continue today.

1. Help unemployed workers meet basic expenses while they look for other jobs,

2. Support the economy by giving unemployed workers money to spend, and

3. Keeping a more stable workforce by enabling workers who’ve been temporarily laid off to keep living in their communities so they can return to the same job when it’s available again.

Generally, unemployment benefits are NOT funded by the government.

Employers pay taxes that fund the program.

State governments only administer the program, but don’t pay for it.

In most states, benefits last up to 6 months.

Federal government sometimes provides funding to states to provide extended benefits during periods of high unemployment, like the Great Recession.

The federal government usually pays half the cost of extended benefits, while states pay the other half.

Unemployment Insurance is not a long-term program.

It just helps people make ends meet until they find other work.

It only provides unemployed workers with half (or less) of the take-home pay they received before losing their jobs.

People who get benefits must be ready, willing and able to accept other employment, and must be actively searching for other work.

They can get help from local One Stop Career Centers to search for other jobs.

One Stop centers exist in various locations in every state.

Unemployment benefits are taxable.

For information about Unemployment Insurance in particular states, see: http://www.servicelocator.org/OWSLinks.asp

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP), AKA “FOOD STAMPS”

The Supplemental Nutrition Assistance Program (SNAP) provides assistance to households with low incomes and assets to buy food.

The funds – usually provided through electronic debit cards – can only be used to pay for food, not other expenses.

The amount of the monthly benefit a household receives is based on income – the lower the income, the higher the benefit.

The program, originally known as “Food Stamps” (it used to provide paper coupons instead of debit cards), began in 1939 during the Great Depression, and became a permanent program in 1964 as part of the Great Society efforts.

SNAP also helps provide a market for food products for farmers, food distributors and retailers.

The federal government provides all the funding for SNAP.

Able-bodied household members who are 16 – 60 years old must register to work and accept at least part-time employment.

(Some people are exempt from this requirement, including people with disabilities and people caring for very young children.)

In most states, able-bodied people aged 18 – 50 who have no children cannot receive SNAP for more than 3 months unless they are working.

Maximum SNAP amounts through September 2013

Household Size Maximum Benefit

1 $200

2 $367

3 $526

4 $668

5 $793

6 $952

7 $1,052

8 $1,202

The maximum amount a family can receive from SNAP depends on the number of people in the household.

As family income increases, the SNAP benefit goes down. When family members go to work and increase their income, SNAP benefits are reduced or eliminated.

A family’s SNAP benefit is reduced by earnings from work, but only by a fraction of their earnings. Households that receive SNAP are financially better off if they work than if they don’t.

For more information, go to http://www.fns.usda.gov/snap/.

U. S. DEPT. OF HOUSING AND URBAN DEVELOPMENT (HUD) SUBSIDIZED HOUSING PROGRAMS

The federal Department of Housing and Urban Development (HUD) funds a number of programs designed to provide affordable rental housing to families with limited incomes.

Family income must be no more than 80% of the area median income for some programs, and under 50% of median income in others, while a percentage of units in some programs are reserved for families with under 30% of the area median income.

Households that receive assistance pay 30% of their gross income (after certain deductions) for rent and utilities; HUD pays the balance of the rent to the landlord.

HUD rent example:

Family of four – 2 adults, 2 children

Home with $1,200/month rent and utilities

Family income = $1,500/month

Family pays $426/month for rent and utilities

HUD pays $1,074/month

For example, suppose a family of four, with two adults and two children, moves into a home using a HUD program.

The total rent and utilities for the house are $1,200 a month.

If the family’s income is $1,500 a month, they would pay $426 a month for rent and utilities, and HUD would pay the rest.

As a family’s income increases, they pay a higher portion of the rent, and the amount HUD pays goes down.

If income rises enough, the family either pays the full rent cost or becomes ineligible for the program.

Waiting lists for HUD programs are usually very long.

The need for affordable housing far exceeds HUD’s funding capacity.

HUD provides funding to local Public Housing Agencies that administer the programs.

The three basic types of HUD-funded housing programs are public housing (created in 1937), tenant-based Section 8 (established in 1974), and project-based subsidies.

Public housing takes various forms, from high rise apartment buildings to detached single-family units.

Tenant-based Section 8 (also known as Housing Choice Voucher) provides a portable subsidy that can be used for any rental unit in the country whose landlord participates in the program.

A project-based subsidy can only be used to rent a unit in a particular privately-owned housing project; it may not be used anywhere else, and the tenant will generally lose the subsidy if she or he moves out of the unit.

Earned Income Disregard

Some HUD programs offer a work incentive called the Earned Income Disregard.

The Disregard allows a household member to go to work (after having been unemployed for at least a year) without having the family’s rent increase for the first 12 months.

The second 12 months of work, the rent increases only half as much as if the full wages were counted.

The Earned Income Disregard applies to adults in public housing, and to adults with disabilities in five other HUD programs.

(People under age 18 don’t need the Earned Income Disregard because HUD does not count their earnings when calculating rent amounts.)

Individual Savings Accounts

Family Self-Sufficiency Program

As an alternative to the Earned Income Disregard, some programs offer Individual Savings Accounts or a Family Self-Sufficiency Program.

These work incentives are also used when a family member goes to work.

The household pays an increased rent, but the rent increase is set aside in a special account that the family may later use to become more self-sufficient, such as for education, moving out of HUD housing, or buying a home.

In some communities, the rental assistance offered by one of the programs (known as Housing Choice Voucher) can sometimes be used to help a family buy a home instead of continue renting.

For more information about HUD programs, go to http://www.huduser.org/portal/.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

The Temporary Assistance to Needy Families (TANF) program provides cash assistance, Medicaid and sometimes support services (such as child care subsidies) to low-income families with dependent children.

It replaced the Aid to Families with Dependent Children (AFDC) program in 1996 as part of a federal “welfare reform” effort.

In contrast to AFDC, TANF is designed to provide only time-limited assistance to families to meet their financial needs, and to help recipients become self-sufficient through employment.

Most households that are eligible for TANF can receive benefits for no more than five years in a lifetime.

States are allowed to make some exceptions to the five-year limit, particularly for families with no adult and some families living on Indian reservations; many states also exempt people with disabilities from the time limit.

Some states have adopted shorter time limits.

The federal government provides the funding for TANF.

In some cases, states may choose to provide funding to supplement the federal dollars, particularly if they want to offer benefits to households that don’t meet the federal rules for eligibility, or to extend benefits for longer than five years.

Maximum TANF benefits through September 2013

Household Size Maximum Benefit

1 $260

2 $455

3 $576

4 $697

5 $808

6 $888

7 $998

8 $1,099

TANF provides very limited cash assistance.

Adult recipients (with some exceptions) and people aged 16 or older who are not in school are required to register for work and participate in job training or paid employment.

TANF offers programs that help recipients become employed.

Earnings from work usually reduce TANF benefits, but not dollar for dollar. The amount of earnings that are counted differs from state to state.

For more information, see http://www.acf.hhs.gov/programs/ofa/programs/tanf

The Earned Income Tax Credit (EITC), often regarded as the most successful government anti-poverty program, provides tax refunds to taxpayers with low to moderate incomes who work for pay.

The credit was created in 1975 and has increased significantly in the decades since. EITC is designed to encourage and reward paid work.

To qualify, a taxpayer must have earnings from work that are subject to taxation, though there is no minimum amount of earnings required.

Households must meet certain income limits, which are much higher for households with children.

Maximum EITC Amounts - 2013

• $487 if no qualifying children

• $3,250 if one qualifying child

• $5,372 if two qualifying children

• $6,044 if three or more qualifying childrenThe EITC can often provide a refund that is greater than all the taxes withheld from a worker’s pay.

The maximum credit depends on the number of “qualifying” children who live in the household.

The EITC can help families pay off debts and begin to save assets.

A taxpayer must file a tax return to qualify for the EITC. Taxpayers with low to moderate incomes can get free tax preparation help from:

Volunteer Income Tax Assistance

www.irs.gov

1-800-906-9887

If a household would have qualified for the EITC but failed to file a tax return, they can submit an amended return (Form 1040-X) for up to two previous tax years to qualify for the credit retroactively.

Tax refunds received through the EITC do not count as income for most means-tested benefits, and are not counted as resources for federally-funded means-tested programs for at least 12 months.

In conclusion, Americans can get help from several programs when they need it most.

Unemployment Insurance helps tide over unemployed workers until they find other work. SNAP helps families with low incomes afford nutritious meals.

HUD programs make rental housing affordable for families with limited incomes.

TANF offers financial aid to low income families with dependent children.

All of these programs encourage, or even require, participants to look for work and accept suitable employment.

Finally, the Earned Income Tax Credit provides an incentive – namely, higher tax refunds – to adults with limited incomes who go to work.