

# TANF Earned Income Disregard: *Just the Facts*

## Background

Currently, when families who are receiving TANF obtain employment, Pennsylvania disregards 50% of their earnings when determining their benefit level – the Earned Income Disregard. This helps families make a smoother transition into self-sufficiency while continuing to provide much needed assistance to the family. Families stop receiving TANF when they earn about half of the poverty line, which is about \$806 a month for a family of three in most PA counties.

## Why Increase the Earned Income Disregard?

Much of what a family receiving TANF earns in wages can be lost to work expenses (taxes, transportation, clothing and child care co-pays). This “benefits cliff” causes newly employed TANF families to feel as if they are no better off financially than they were before working.

Increasing the TANF disregard from 50% to 75% of the earned income would help families get closer to the poverty level (i.e. further out of poverty) before losing their TANF benefits altogether.

A couple of our neighboring states have taken steps that recognize the value of allowing families to more slowly transition off TANF. For example, Ohio disregards the first \$250 in earnings and 50% of the rest. New Jersey disregards 100% the first month, 75% for the next six months and 50% thereafter.

The disregard should also be extended to TANF applicants to ensure that all low-income families are being treated equally and are getting the help that they so desperately need. Ultimately, this will allow more struggling PA families to receive at least a partial TANF grant while they work to climb out of poverty. We need to make work pay for families on TANF!

## Example:

A mom with two children receives \$403 in Allegheny County in TANF cash assistance. If she gets a job paying \$7.25 an hour for 30 hours a week she will only be earning \$31 per week (\$124 per month) more than what she would get on TANF cash assistance.

### Monthly income before working

Pay check	\$0
TANF	\$403
<b>TOTAL</b>	<b>\$403</b>

### Monthly income after working

Pay check (\$7.25 x 30 hours x 4 weeks)	\$870
TANF (\$100 for first 3 months; 0 after)	\$0
Minus taxes (FICA 7.65% PA 3.07%)	<i>\$94</i>
Minus child care co-pay	<i>\$20</i>
Minus new transportation costs	<i>\$150</i>
Minus new work clothing	<i>\$50</i>
Minus food stamp reduction (after 5 months)	<i>\$29</i>
<b>TOTAL</b>	<b>\$527</b>

**INCREASING THE EARNED INCOME DISREGARD TO 75% WOULD GIVE THIS FAMILY AN ADDITIONAL \$50.75 PER WEEK OR \$203 PER MONTH.**

**Support HB 2431 to increase PA’s TANF Earned Income Disregard!**



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