Asset Limits in Federal Benefit Programs and How they Affect IDA Participants

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Types of IDAs

AFI

- Funded and authorized under the Assets for Independence Act (AFIA)

TANF

- Fully or partially funded with federal TANF funds or state maintenance-of-effort (MOE) funds
- Meet TANF statutory criteria, including
  - participants are needy families with children
  - savings used only for postsecondary educational expenses, to purchase a home, or to start a business

Types of IDAs (continued)

Non-TANF, Non-AFI (ie. all other IDAs)

- Funded with state, local, or private funds
- Funded with federal funds other than AFI or TANF (ex: Office of Refugee Resettlement funds)
- Funded with federal TANF funds or state maintenance-of-effort (MOE) funds, but do *not* meet TANF statutory criteria (for example: a TANF-funded IDA program that allows IDA funds to be used for car purchases)

AFI and TANF IDAs Must be Disregarded

- By law, all earnings deposited, matching contributions, and interest accumulating in an AFI or TANF IDA may not being considered when determining eligibility or benefit levels in any federal program that considers an individual's financial circumstances.

- See Assets for Independence Act, Section 415, codified at 42 U.S.C. 604 note and Social Security Act, Section 404(h)(4), codified at 42 U.S.C. 604(h).

Assisting Participants

- Many caseworkers probably have not heard of IDAs and may not have received instructions on how to treat them when applying asset tests
- IDA program staff could provide participants with a letter to show to caseworkers explaining that the IDA must be disregarded and providing the legal basis
- A model letter is available from HHS

Non-TANF, Non-AFI IDAs

- No special disregard for IDA savings when determining eligibility or benefit levels
- Treatment depends on the rules of each federal benefit program and, in some programs, on state rules
- **Remainder of presentation pertains to how non-TANF, non-AFI IDAs are treated in selected federal benefit programs**

TANF

- Nearly 5 million individuals receive cash assistance and at least 1 million more receive other TANF-funded benefits and services

- IDAs are not considered “assistance” and therefore do not count against a family’s five year federal time limit, even if the IDA is TANF-funded; but if an IDA participant also receives TANF cash assistance, the clock runs

- State income limits for cash assistance are generally below 100% of the poverty line

TANF Cash Assistance: Assets Policies and IDA

- Asset policy is set by state
- Asset limits vary; most are in the $2,000 to $3,000 range
- States can eliminate the asset limit entirely, but only OH and VA have
- Roughly half the states entirely disregard the value of at least one vehicle; the other states generally disregard the value of a vehicle up to a certain limit
- Non-TANF, non-AFI IDAs are counted toward the state's asset limit unless explicitly exempt
- Other TANF-funded programs, such as child care subsidies, generally do not have asset tests

Medicaid and State Children's Health Insurance Program (SCHIP)

- Medicaid
  - Covers roughly 57 million people
  - States must comply with certain federal requirements but have flexibility within those parameters, including flexibility on income limits and asset rules
  - Income limits vary and range from 133% of the poverty line to 300% of the poverty line for children and pregnant women

- SCHIP
  - Funds may be used to expand Medicaid or create a separate program
  - Covers roughly 6 million children
  - States have flexibility over income and asset rules
  - Income limits vary and range from 185% of the poverty line to 350% of the poverty line

Medicaid: Asset Policy and IDAs

- States have significant discretion over where to set the asset limit and what counts against it; the asset test can be dropped entirely
- Asset rules often vary by eligibility category (i.e., children, families with children, elderly or disabled people, etc.)
- 45 states have entirely waived the asset test for children
- 22 states have entirely waived the asset test for families with children
- 7 states set the asset limit for families with children at $1,000

Medicaid: Asset Policy and IDAs (continued)

- States may count non-TANF, non-AFI IDAs but have discretion to disregard them (states also may count the accounts containing non-TANF non-AFI IDA matching contributions but are very unlikely to do so)

- None of the 28 states that still impose an asset test for families explicitly disregards IDAs, but states can

- Many states exclude the value of a vehicle

SCHIP: Asset Policy

- Complete state flexibility over limit and what counts; asset test can be waived entirely
- No state except Idaho, Oregon, and Texas applies an asset test for children

States with Medicaid Assets Test for Children

- Colorado
- Idaho
- Montana
- Texas
- Utah (for kids 6-19)

States with an Asset Test for SCHIP

- Idaho
- Oregon
- Texas

States *Without* A Medicaid Asset Test for Families with Children

- **Alabama**
- **Arizona**
- **Connecticut**
- **Delaware**
- **District of Columbia**
- **Illinois**
- **Kansas**
- **Louisiana**
- **Massachusetts**
- **Mississippi**
- **Missouri**
- **New Jersey**
- **New Mexico**
- **North Dakota**
- **Ohio**
- **Oklahoma**
- **Pennsylvania**
- **Rhode Island**
- **South Carolina**
- **Virginia**
- **Wisconsin**
- **Wyoming**

Food Stamps

- Roughly 25 million recipients
- Rules are set federally; states/counties administer the program
- In some areas, including asset rules, states have flexibility within federal parameters
- Gross income limit of 130% of the poverty line; net income limit of 100% of the poverty line

Food Stamps: Asset Policy and IDAs

- **Overall asset limit:**
  - **$2,000 generally**
  - **$3,000 if at least one household member is disabled or age 60 or older**

- Assets affect eligibility but not benefit levels

- Specific federal rules about what counts as an asset
  - individual contributions to non-TANF, non-AFI IDAs generally count
  - matching contributions generally do not count (depends on whether they are accessible)
  - the portion of the market value of a household's vehicle that exceeds $4,650 counts toward the overall asset limit, but states have flexibility

Food Stamps: Asset Policy and IDAs (cont.)

- States have flexibility to liberalize vehicle rules, which has the effect of liberalizing the overall asset limit because there is less "excess value" from vehicles counting toward the limit; 39 states have eliminated the vehicle limit for at least one vehicle per household; 8 more have liberalized the vehicle rules in other ways

- If *all members* of a household receive TANF/MOE cash assistance and/or SSI, *all* household assets are disregarded

- If *an individual* receives certain TANF- or MOE-funded services as defined by the state, including (but not limited to) cash assistance, a state must disregard the *individual's* assets

Food Stamps: Asset Policy and IDAs (cont.)

- 2002 Farm Bill provides new flexibility
  - A state may exclude most assets that the state excludes either in its TANF cash assistance or its Medicaid program for families with children
  - Cash and "amounts in any account in a financial institution that are readily available to the household" may *not* be excluded
  - Proposed regulations issued in April 2004 would limit this option to IDAs that are restricted to use for buying a home, obtaining higher education, or starting a business; many organizations have submitted comments on the proposed regulations urging USDA to extend this option to *any* IDA covered by a written agreement
  - Until final regulations are issued, states may determine which assets are considered "readily available"

SSI

- Provides cash benefits for low-income individuals who are aged, blind, or disabled
- SSI benefits cannot be used for AFI IDA deposits, but some SSI recipients may work and have earned income, so long as their disability does not improve
- Earnings deposited into an AFI IDA are excluded when determining *income* eligibility for SSI (as well as being disregarded as an asset)

SSI: Asset Policy and IDAs

- SSI asset rules set by federal law and regulations; no state flexibility
- Asset limit
  - $2,000 for individuals
  - $3,000 for couples
- Assets affect eligibility but not benefit levels
- **An AFI or TANF IDA is the *only* way an SSI recipient can save for a home (above the general $2,000 asset limit)**
- Generally, individual contributions to non-TANF, non-AFIA IDAs are counted as assets
- Generally, matching contributions to non-TANF, non-AFIA IDAs are *not* counted as assets if the participant does not have access to the funds

Resources for Working with SSI Recipients

- State-by-state links to the Benefits Planning Assistance Outreach Program staff who can help SSI recipients understand how working could improve their financial circumstances and its impact on benefits: http://www.ssa.gov/work/ServiceProviders/BPAODirectory.html

- World Institute on Disability article on the importance of IDAs, including helping SSI recipients save for a home: http://www.wid.org/publications/index.php4?print=1&page=equity&sub=200403&topic=fa

Low-Income Housing Programs: Asset Policy and IDAs

- Asset policy is set federally; no state flexibility
- Public housing, Section 8 vouchers, HOME program, and Low-Income Housing Tax Credit have *no asset test*
- HUD offers the Family Self-Sufficiency program in which increased rental payments resulting from earnings increases are placed in an escrow account that may be used for any purpose upon program completion
- Interest earned on assets counts as income and affects eligibility and subsidy amount
- If a family has net assets exceeding $5,000 a percentage of the value is counted as income if that amount exceeds interest earned (HUD regulations do not specify whether IDAs count; generally assets count only if accessible)

Summary

- AFI and TANF IDAs do not affect eligibility for or benefit levels in federal means-tested programs

- Non-TANF, non-AFI IDAs
  - In TANF and Medicaid, whether to count these IDAs against asset limits is up to the state
  - In food stamps, this type of IDAs generally is counted, but new food stamp options enable states to exempt these IDAs

Additional Resources

- *2002 Federal IDA Briefing Book — How IDAs Affect Eligibility for Federal Programs*, Corporation for Enterprise Development and Center on Budget and Policy Priorities, October 2002, http://www.cbpp.org/10-29-02wel.pdf

- IDAs and Public Assistance Asset Limits: What States Can Do to Remove Penalties for Saving, Center on Budget and Policy Priorities for the Center for Social Development and CFED, September 2004, http://www.cfed.org/publications/Vol%201%20No%202%20-%20Public%20Assistance%20Asset%20Limits.pdf

- Detail on state TANF asset policies is available through the Urban Institute's Welfare Rules Database: http://newfederalism.urban.org/wrd

- Detail on states that have conformed food stamp income and resource rules to TANF and Medicaid rules: http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/ conformance_options.htm

- *States Vehicle Asset Policies in the Food Stamp Program,* Center on Budget and Policy Priorities, revised February 2005, http://www.cbpp.org/7-30-01fa.htm

- Detail on state Medicaid asset policies is available in
  - *Beneath the Surface: Barriers Threaten to Slow Progress on Expanding Health Coverage of Children and Families*, Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured, October 2004, Tables 1, 3, and 4, http://www.cbpp.org/10-4-04health.pdf
  - *Protecting Low-Income Families' Savings: How Retirement Accounts Are Treated in Means-Tested Programs and Steps to Remove Barriers to Retirement Saving*, Center on Budget and Policy Priorities for the Retirement Security Project, June 2005, Appendix A, http://www.retirementsecurityproject.org/publications