

Test - Website Tomorrow
Due Monday - 5 PM - hard copy
Email]

Ch 13 - Entitlements

TANF - Temp Assistance to Needy Families

1996 - replaced AFDC 1966-96

Aid to Families with Dep. Children

↳ Temp. - 5 years (60 months)
states could extend up to 20% of

recipients for time
budget constraint - block grant

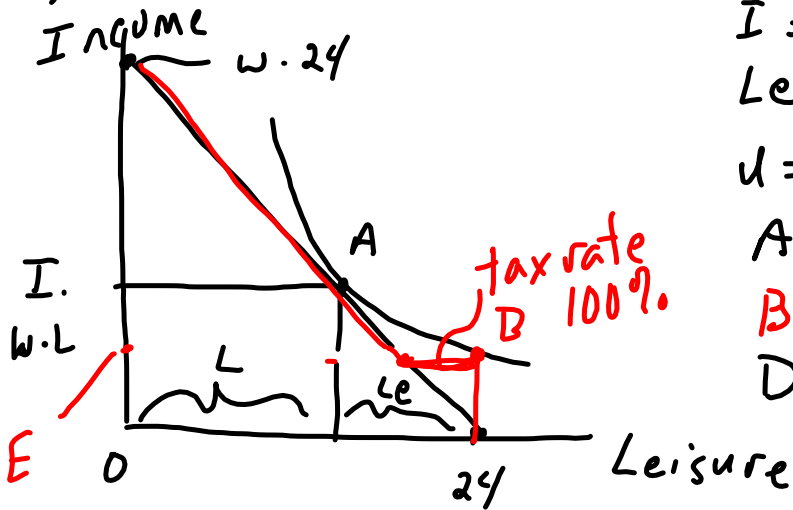
- Family structure - Male Head of Household

- no additional payment for kids

- Issues ① work disincentive ?

AFDC - tax rate 100% -

TANF - 30% "tax" rate



$$I = w \cdot L$$

$$L_e + L = \text{Hours}$$

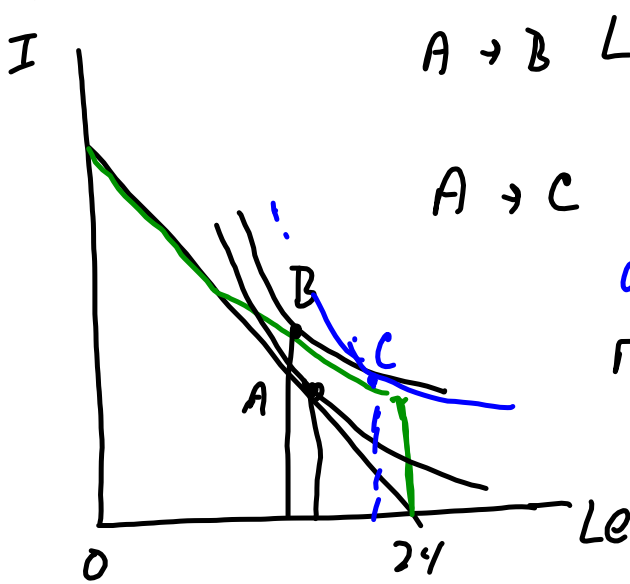
$$u = u(L_e, I)$$

A - w/o no AFDC

B - with AFDC

Drop out of labor force

TANF - 30% tax rate



A → B $L_e \downarrow$ $L \uparrow$ work incentive

A → C $L_e \uparrow$ $L \downarrow$ work disincentive.

relative size of income + substitution

$I \uparrow$ L_e normal but $w \uparrow$ ^{good} relative to

- welfare to work → subsidized

CC cash grant \$2500 car }
 -TN pre paid cell phone }

AFDC

Direct expenditure → Medicaid
→ TANF
→ SNAP (Food Stamps)

Tax expenditure - deduction, exemption
credit.

- EITC - earned income tax

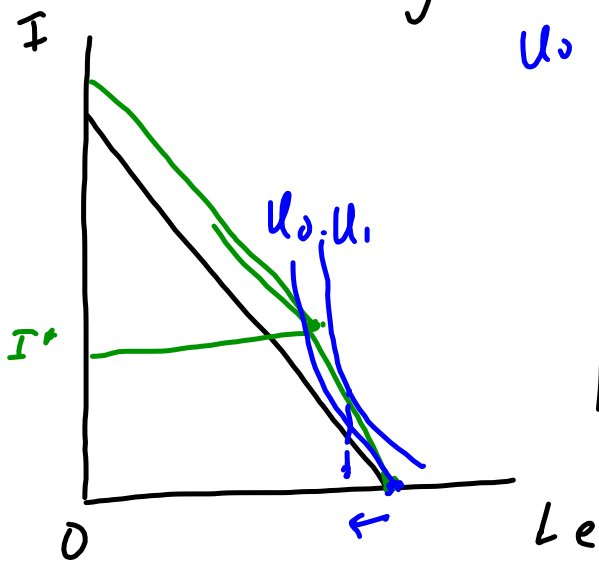
- low income HH ($< \$28,000$)
with kid.

compute tax owed + then apply
credit (EITC)

- if owe - ded credit

ref - add credit to refund.

found - Labor force participation rate
for single women with kids ↑



u_0 pre EITC

Aside - EITC form triggered audits

Aside Alternative Min. Tax

$$\frac{\text{Income} - \text{Deductions}}{x < TH}$$

x → absolute \$ amount

SNAP - work E3

Eg 3 person HH - Gross Monthly Income
 \$2,184 \$8 × 40 × 4

4 (2633) 320 × 4 = 1280

(2560)

Max 1 \$194
 & \$1,169

