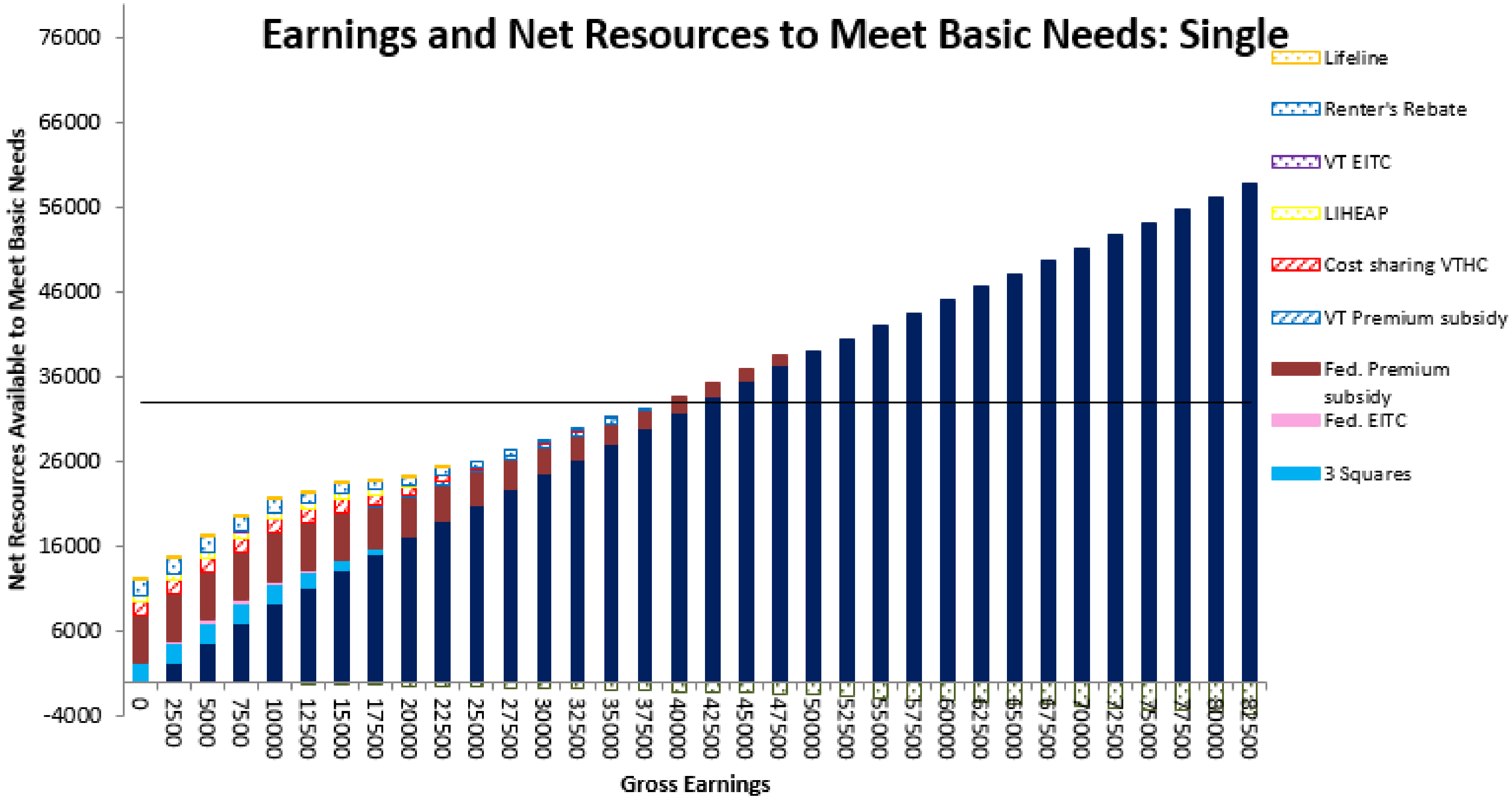
JFO/Joyce Manchester; April 29, 2021
Prepared for the House Appropriations Committee

Does the EITC Expansion in ARPA Affect the Benefits Cliff?

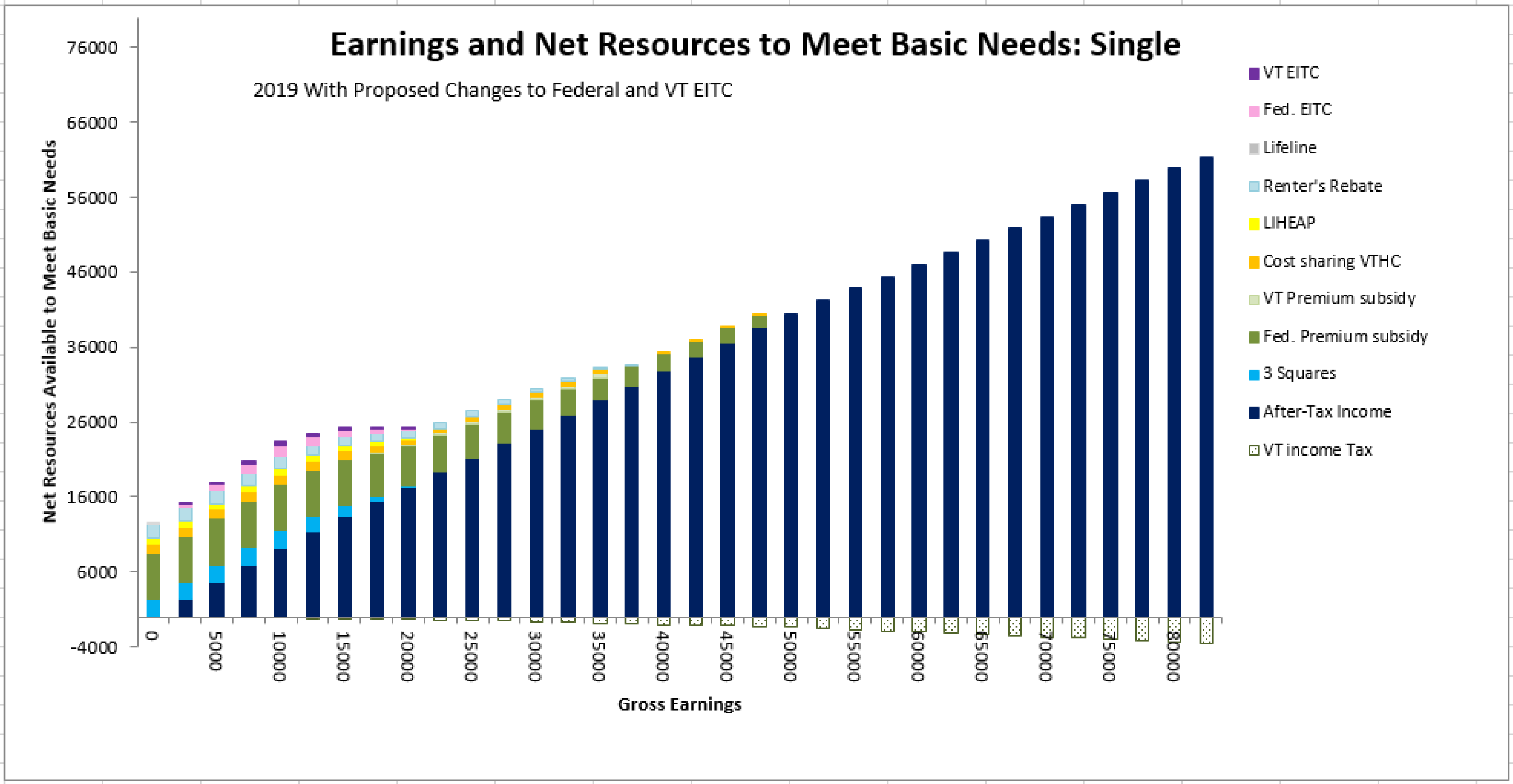
- A "benefits cliff" occurs when an increase in a beneficiary's earnings causes a corresponding decrease in the beneficiary's public assistance by some greater amount, resulting in a net loss in household resources.
- This can cause a worker to choose to turn down increased wages because higher earnings would reduce his or her household's available net resources.
- In recent years, Vermont has made significant progress in reducing or eliminating the benefits cliff in certain programs, but it does persist in some programs.
- No single public assistance program would cause a family to lose ground, but the cumulative impact of losses from multiple programs could present a significant hardship.

Note that the EITC expansion in ARPA applies single individuals with no children. Most of the concern around the benefits cliff in Vermont has a focus on families with children.

Here is an older chart for single individuals with no children from 2017; not much changed between 2017 and 2020. Source: Deb Brighton



Here is a new chart showing the ARPA expansion in the federal EITC. The chart also illustrates what would happen if Vermont decided to “link up” its state EITC to the federal expansion. Vermont’s EITC is 36% of the federal EITC amount.
Source: Deb Brighton



To illustrate why the benefits cliff is a concern for some family types, here is the chart for a single parent with two children from 2019, with the 2021 changes in the EITC, Child Tax Credit, and Child and Dependent Care Credit (adjusted to 2019 dollars). Source: Deb Brighton