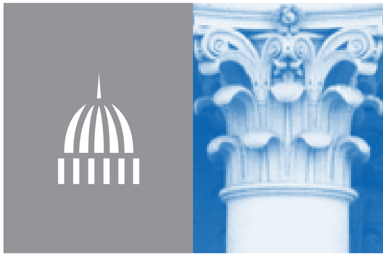

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Asset Limits in Public Programs

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Did you know?

- Many states exclude certain assets from limits.
- Very few families who apply for public benefits have any financial assets.
- Families with some financial assets are less likely to need public assistance.

More than 46 million people receive Supplemental Nutrition Assistance Program (SNAP) benefits (food stamps), and almost 4.5 million receive Temporary Assistance to Needy Families (TANF) assistance. Eligibility for these programs is based on income and sometimes the value of assets—a savings account, house or car. Assets are considered to help ensure the benefits aren't abused and are reaching the people who really need them.

Some argue that limiting the amount of assets one can have in order to receive benefits discourages recipients from saving money, making it more difficult to get off public benefit programs. Yet, families with financial assets are less likely to experience the kind of economically stressful event that causes a need for public benefits, and are better able to invest in higher education, a home or other purchase that could lead to greater financial security.

State policymakers can establish limits only in state-administered programs: TANF, Medicaid, the state children's health insurance plan (SCHIP) and SNAP. States have broad flexibility with TANF to set asset limits, exempt certain assets or eliminate limits altogether. States are already required to exempt individual development savings accounts, which can be used to purchase a home, enroll in postsecondary education or start a small business. States have less flexibility with SNAP, but can align asset limits with those in the TANF or Medicaid programs. States may also determine how to factor in the value of vehicles.

State Action To encourage savings and reduce administrative costs, 38 states have eliminated any asset test for SNAP. Michigan, on the other hand, reinstated its asset limit last year to help ensure the program was serving those most in need. To qualify for TANF, however, 45 states limit assets. (Only Alabama, Louisiana, Ohio, Maryland and Virginia do not.) Colorado raised its asset limit from $2,000 to $15,000 in 2006.

Many states exclude certain assets from limits. Cars are often the most valuable asset for low-income families, and are often essential in helping people find and maintain jobs. State policymakers can determine how to value a car and how to include it in calculating a person's total assets. At least 36 states exclude the value of all vehicles. Another 15 exclude the value of one vehicle. Two states exempt vehicles worth under a certain amount.

State lawmakers may also exempt certain savings accounts, including matched savings accounts, retirement savings and education accounts. Colorado legislators decided in 2006 to exempt retirement, education and health savings accounts. Illinois lawmakers exempted certain retirement accounts for SNAP recipients in 2005. California exempted retirement and education accounts for TANF in 2006.

Other savings accounts exempted from asset limits include 529 college savings plans (Alabama, California, Colorado, Connecticut, District of Columbia, Kansas, Louisiana, Maryland, Michigan, Mississippi, Ohio, Pennsylvania, Texas, Virginia, West Virginia); lump sum SSI payments (Illinois and Virginia); and children's savings accounts (Illinois).

Since different eligibility standards across programs can be confusing, 47 states have standardized asset limits by using the same limits as in their TANF program.

As state policymakers consider and debate lifting asset limits, they want to know if:

- caseloads will go up
- fraud or abuse will increase
- administrative costs will go down and by how much
- low-income families will actually increase their savings

Eliminating or lowering the limits on assets has not led to large increases in caseloads since research has shown that very few low-income families have any financial assets to begin with. An analysis done in 2003 at the time of the rule change in Virginia found that only 40 people were denied assistance because of the value of their assets. Neither Ohio nor Virginia saw caseloads increase after removing the TANF asset limit.

Strict work requirements and time limits for assistance have proved helpful in preventing fraud and abuse.

Most programs experience administrative cost savings that outweigh the costs of any increase in caseloads. Eliminating the asset test in Oklahoma for Medicaid resulted in an annual savings of nearly $1 million.

The evidence is inconclusive about whether removing or relaxing asset limits changes or improves family savings habits. This may be partly due to the difficulty of saving anything given their low wages.

Federal Action The federal government has proposed rules to exclude retirement and education savings accounts from the SNAP program. And Congress introduced the Supplemental Security Income Savers Act of 2011, which would increase the asset limits in the SSI program.

NCSL Contacts for More Information

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Other Resources and Contacts

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"Financially Fragile Households: Evidence and Implications," Brookings Institute, March 2011.
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The information contained in this LegisBrief does not necessarily reflect NCSL policy.