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**United States
Department of
Agriculture**

**Food and
Nutrition
Service**

**3101 Park
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**Alexandria, VA
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SUBJECT: Supplemental Nutrition Assistance Program: Using Broad-Based
Categorical Eligibility to Exclude Refundable Tax Credits Permanently

TO: All Regional Directors
Supplemental Nutrition Assistance Program

The American Recovery and Reinvestment Act (ARRA) created or expanded many refundable tax credits to help families struggling with the economic crisis; the intent was not to make it harder for these families to become eligible for the Supplemental Nutrition Assistance Program (SNAP). One way to avoid making families who receive tax credits ineligible for SNAP is for State agencies that have adopted broad-based categorical eligibility to exclude refundable tax credits from consideration as assets.

Broad-based categorical eligibility refers to the policy that makes most, if not all, households categorically eligible for SNAP because they receive non-cash TANF/MOE funded benefit or service, such as an informational pamphlet or 800-number. We are pleased that many State agencies have implemented or are planning to implement broad-based categorical eligibility. We recommend that all State agencies that have implemented a broad-based categorical eligibility program with an asset limit exclude refundable tax credits from consideration as assets in the program that confers categorical eligibility.

ARRA created the Making Work Pay (MWP) tax credit as a way to support working families. ARRA excluded MWP from consideration as income in the month of receipt and as an asset for the month of receipt and two months following receipt, for all Federal means tested assistance programs. The MWP exclusion is intended to protect a family's eligibility for means tested assistance programs. Unfortunately, MWP could harm some families' eligibility for SNAP. Although many families will receive MWP in their paychecks, families that have not had income taxes withheld by an employer will receive MWP as a lump sum. If these families are unable to spend down the lump sum within three months, they may be ineligible for SNAP because their assets are too high.

ARRA also expanded the Child Tax Credit and created. Current SNAP rules exclude the Child Tax Credit from income and from resources in the month of receipt and the month following receipt. If State agencies do not exclude these tax credits from consideration as resources through broad-based categorical eligibility, some families may lose their eligibility for SNAP.

We also encourage State agencies without broad-based categorical eligibility to implement a broad-based categorical eligibility program to simplify the administration of SNAP and help low-income households meet their nutritional needs. SNAP excludes the Earned Income Tax Credit (EITC), another refundable tax credit, from resources for 12

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months following receipt. Since the EITC has a longer exclusion period than most tax credits, broad-based categorical eligibility can simplify the treatment of all tax credits for eligibility workers. With broad-based categorical eligibility, State agencies can effectively raise the income limit and raise or eliminate the asset test. A de facto elimination of the asset test through broad-based categorical eligibility saves administrative costs because State agencies do not have to devote staff time towards verifying assets, and makes it easier for families to apply for SNAP because they do not have to provide verification of their assets.

Broad-based categorical eligibility can also protect these families from losing eligibility if their receipt of refundable tax credits pushed them over the normal asset limit. Broad-based categorical eligibility also allows low-income families with modest resources put better food on the table. Many of these families may have been hurt by the economic crisis and now have difficulty finding work. Broad-based categorical eligibility allows these families to maintain their modest savings by helping them meet their nutritional needs.

Additionally, State agencies can design broad-based categorical eligibility policies to help families with high expenses but modest incomes by slightly raising the gross income limit. Although these families have incomes slightly above the normal SNAP income limit, their expenses put their net income below the Federal Poverty Guidelines, and they are eligible to receive a meaningful benefit.

We encourage all regional offices to work with their State agencies to encourage them to adopt broad-based categorical eligibility and ensure that refundable tax credits do not harm families' eligibility for SNAP.

If you have any questions or need more information, please contact Sasha Gersten-Paal at (703) 305-2507 or sasha.gersten-paal@fns.usda.gov.



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