

**Table 1: Earnings and benefits after four months on job for a mother with two children with day care expenses
1996 -- Philadelphia, Pennsylvania.**

Earnings	EITC	AFDC	Food Stamps	Medicaid \$3307	Eligible for public housing	Housing subsidy, 2 bedrooms	Social Security Tax	Federal Income Tax	State Income Tax	Work Expenses	Total Income
0	0	5052	2722	Yes	Yes	8136	(0)	(0)	(0)	(0)	19217
2000	800	4892	2410	Yes	Yes	7936	(153)	(0)	(0)	(600)	20592
4000	1600	3292	2530	Yes	Yes	7464	(306)	(0)	(0)	(1200)	20687
5000	2000	2492	2590	Yes	Yes	7224	(383)	(0)	(0)	(1500)	20730
6000	2400	1692	2650	Yes	Yes	6984	(459)	(0)	(0)	(1800)	20774
7000	2800	892	2710	Yes	Yes	6744	(536)	(0)	(0)	(2100)	20817
8000	3200	0	2798	Yes	Yes	6484	(612)	(0)	(0)	(2400)	20776
9000	3556	0	2618	Yes	Yes	6264	(689)	(0)	(0)	(2700)	21356
10000	3556	0	2438	No	Yes	6024	(765)	(0)	(0)	(3000)	18253
15000	2842	0	1538	No	Yes	4824	(1148)	(0)	(420)	(4200)	18436
20000	1789	0	0	No	Yes	3624	(1530)	(0)	(560)	(5200)	18123
22000	1368	0	0	No	Yes	3084	(1683)	(260)	(616)	(5400)	18493
23000	1157	0	0	No	No	0	(1760)	(452)	(644)	(5400)	15901
25000	736	0	0	No	No	0	(1913)	(794)	(700)	(5400)	16929
30000	0	0	0	No	No	0	(2295)	(1628)	(840)	(5400)	19837
50000	0	0	0	No	No	0	(3825)	(5187)	(1400)	(5400)	34188

Notes: In adding the numbers across each row to get total income, negative values are in parentheses. See the next page for the assumptions used in this table.

Notes for Table 1:

1. Sources: U.S. House of Representatives, 1996 (<http://aspe.os.dhhs.gov/96gb/08tanf.txt>), HUD Fair Market Rent and Income Eligibility data 1996 (<http://www.huduser.org/data/asthse/fmrdata/hud96pa.txt>), and Pennsylvania Income Tax Form PA-40, 1996 (<http://www.revenue.state.pa.us/forms/pit/1996/index.htm>)
2. The annual income eligibility limit (very low limit) in Philadelphia was \$22200, and the annual fair market rent was \$10176 for a three bedroom apartment, and \$8136 for a two bedroom apartment. The actual rent paid by the public housing recipient is the $\max\{0.3 \cdot \text{Adjusted Income}, 0.1 \cdot \text{Gross Income}, \text{welfare shelter deduction}\}$. Adjusted income has deductions of \$480 per child per year and child care costs. This table assumes the family receives a two-bedroom apartment.
3. Medicaid is valued at its annual average expenditure in Pennsylvania for an AFDC family with one adult and two children: \$919 per child, and \$1469 per adult. The total is therefore \$3307 for this family.
4. AFDC benefits assume these deductions: \$1440 annual (\$120 monthly) standard allowance, which would drop to \$1080 annual (\$90 monthly) after one year on the job and child care costs equal to 20 percent of earnings, up to maximum of \$4200 per year (\$350 per month) for two children. The EITC, food stamps, Medicaid, public housing, and taxes are not counted in the AFDC calculation. Because of these deductions, AFDC benefits fall by 8 percent for the first \$2000 of earnings, and by 80 percent thereafter. The statutory tax rate is 100 percent.
5. The food stamp program assumes these deductions: 20 percent of earnings, \$1608 annual (\$134 monthly) standard deduction, and child care costs equal to 20 percent of wages, up to a maximum of \$3840 per year (\$320 per month) for two children. The maximum food stamp payment for a family with zero income is \$3756 per year (\$313 per month). Both earnings and AFDC are counted in the food stamp calculation. The statutory tax rate is 30 percent.
6. Federal and state taxes assume head of household tax rates in effect for 1996. The dependent care tax credit reduces tax liability at earnings of \$13,550 and above. Exemptions were \$2,550 per person in 1996, the standard deduction was \$5,900, the 15 percent bracket ended at \$32150 of taxable income, and the 28 percent bracket ended at \$83050 of taxable income. Eligible employment-related expenses are limited to \$4800 if there are two or more qualifying dependents. The 30 percent dependent care credit rate is reduced, but not below 20 percent, by one percentage point for each \$2000 (or fraction thereof) of adjusted gross income (AGI) above \$10000. The marginal tax rate in Pennsylvania was 2.8 percent.
7. Work expenses assumed to equal 10 percent of earnings up to maximum of \$1200 annually, plus child care costs equal to 20 percent of earnings up to a maximum of \$4200 annually for two children. for earnings of \$21000 and over.
8. Family would qualify for Medicaid at \$8000 of earnings because the mother, by law, would be deemed still an AFDC recipient, even though no AFDC would be paid; her calculated benefit would be below the minimum amount (\$10 monthly) payable.
9. Family would qualify for Medicaid for 12 months after leaving AFDC with \$9000 in earnings under the 1988 Family Support Act. State must offer Medicaid to all children up to age six whose family income is not above 133 percent of the Federal poverty guideline (ceiling of \$17290 for a family of three in 1996) and to children over age six born after September 30, 1983 (up to age ten years and four months in January 1996), whose family income is below the poverty guideline (\$12600 for a family of three).
10. None of the value of public or subsidized housing is counted as income of an Aid to Families with Dependent Children (AFDC) applicant or recipient in Pennsylvania (Urban Institute).
11. The credit rate for the EITC was 40 percent for families with two or more children until \$8890, and the phase-out rate was 21.06 percent for earnings between \$11610 and \$28495.
12. The incidence of the social security payroll tax is assumed to be equally shared between the worker and the employer.