To Richard Green
5-0851
7 pages
From Diana Fortuna
6-5570

January 31, 1996

TO: Ken Apfel
Diana Fortuna

FR: Judy Chesser

RE: Parent to Child Deeming

Since at some juncture someone will provide impact scenarios on this issue, I thought you should be aware of these various hypotheticals that we calculated.

I have also attached the calculations previously done on this issue comparing adults and children beneficiaries.

SPECIAL DCLCA D.C. TRANSMITTAL

DATE: 1/29/96 TIME:3:29 pm

DELIVERED BY: FAX ☐ Shuttle ☐ Other ____________

RESPONSE FROM JUDY NEEDED BY: DATE: __/__/__ TIME: __:__

ATTN: Paulette/Regina

Please take the following action: Give to Judy ASAP.

TO: JUDY L CHESSER

THRU: Diane B. Garro ___DG___
Jack Camilleri ______

FROM: David Mattson (Dave)
Analyst: Parrott

SUBJECT: Examples of Deeming Proposal in Daschle Plan

Attached are three examples of the differences in parent-to-child deeming under current law and the Daschle plan. We have tried to make the deeming formula as simple as possible, but it is still somewhat long. The highlighted portions of the table indicate the parts of the formula that would be affected under the Daschle plan. In each of the examples--earned income only, unearned income only, and a combination of earned and unearned--the child would get significantly less under the Daschle proposal. *because the lowered allocation for the parent's needs is not offset by the increased exclusion for earned income. Of course parents who have unearned income only are at an even greater disadvantage.*

REMARKS:

COMMENTS FROM JUDY:

Examples of Parent-To-Child Deeming Under the "Daschle Plan"

Example 1--Parents Have Earned Income Only

Facts: Parents combined monthly earned income--$2,200
One ineligible child with no income
Eligible child has no income of his or her own.

Deeming Steps[1]	Current Law	Proposal
1. Parents' unearned income	Not applicable (n/a)	n/a
2. Minus ineligible child's allocation ($235)	n/a	n/a
3. Parents' earned income	2,200	2,220
4. Minus child's allocation (if not used in step #2)	1,965	1,965
5. Amount from step #2	n/a	n/a
6. Minus $20 general exclusion	n/a	n/a
7. Remaining earned income (from step #4)	1,965	1,965
8. Minus $20 (if not used step #6)	1,945	1,945
9. Minus $65	1,880	1,880
10. Minus additional earned income disregard	(50%) 940	(64%) 1,203.20
11. Countable earned income	940	676.80
12. Add countable unearned (from step #2)	n/a	n/a
13. Total countable income	940	676.80
14. Minus parents' allocation[2]	(Full couple's FBR) 705	(1/2 couple's FBR) 352.50
15. Deemed income	235	326.30
16. Add #15 to eligible's own income	235	326.30
17. Minus $20	215	306.30
18. Child's benefit amount (#17 subtracted from FBR-- $470)	255	163.70

[1] Under proposal, deeming steps would remain unchanged. Proposal would affect amounts in steps #10, #11, and #14 resulting in different amounts of deemed income (step #15) and benefit payment (step #18). Differences are highlighted.

[2] Parents' allocation equals the individual's FBR ($470) for one parent and the couple's FBR ($705) for two parents .

Example 2--Parents Have Unearned Income Only

Facts: Parents combined monthly private pension--$1,200
One ineligible child with no income.
Eligible child has no income of his or her own.

Deeming Steps[1]	Current Law		Proposal	
1. Parents' unearned income		1,200		1,200
2. Minus ineligible child's allocation ($235)		965		965
3. Parents' earned income		not applicable (n/a)		n/a
4. Minus child's allocation (if not used in step #2)		n/a		n/a
5. Amount from step #2		965		965
6. Minus $20 general exclusion		945		945
7. Remaining earned income (from step #4)		n/a		n/a
8. Minus $20 (if not used step #6)		n/a		n/a
9. Minus $65		n/a		n/a
10. Minus additional earned income disregard	(50%)	n/a	(64%)	n/a
11. Countable earned income		n/a		n/a
12. Add countable unearned from step #6		945		945
13. Total countable income		945		945
14. Minus parents' allocation[2]	(Full couple's FBR)	705	(1/2 couple's FBR)	352.50
15. Deemed income		240		592.70
16. Add #15 to eligible's own income		240		592.70
17. Minus $20		220		572.70
18. Child's benefit amount (#17 subtracted from FBR-- $470)		250	Child ineligible--income exceeds FBR by $102. 70.	

Example 3–Parents Have Both Earned and Unearned Income

Facts: Parents have $1,000 earned income and $ 400 unearned income monthly.
One ineligible child with no income
Eligible child has no income of his or her own

Deeming Steps[1]	Current Law	Proposal
1. Parents' unearned income	400	400
2. Minus ineligible child's allocation ($235)	165	165
3. Parents earned income	1,000	1,000
4. Minus child's allocation (if not used in step #2)	n/a	n/a
5. Amount from step #2	165	165
6. Minus $20 general exclusion	145	145
7. Remaining earned income (from step #3)	1,000	1,000
8. Minus $20 (if not used step #6)	n/a	n/a
9. Minus $65	935	935
10. Minus additional earned income disregard	(50%) 467.50	(64%) 598.40
11. Countable earned income	467.50	336.60
12. Add countable unearned from step #6	145	145
13. Total countable income	612.50	481.60
14. Minus parents' allocation [2]	(Full couple's FBR) 705	(1/2 couple's FBR) 352.50
15. Deemed income	0	129.10
16. Add #15 to eligible's own income	n/a	129.10
17. Minus $20	n/a	109.10
18. Child's benefit amount (#17 subtracted from FBR-- $470)	470	360.90

NOTE: EARNED INCOME FIGURES ASSUME NO UNEARNED INCOME RECEIVED. UNEARNED INCOME FIGURES ASSUME NO EARNED INCOME RECEIVED. ALL FIGURES MONTHLY AND EFFECTIVE 1/96.

A. 2 Parents, 2 Children

If only **one parent** disabled, then parental . . .

- o earned income higher than **$1,025** begins to reduce SSI.
- o earned income of **$1,965** prevents SSI payment.

- o unearned income higher than **$725** begins to reduce SSI.
- o unearned income of **$1,195** prevents SSI payment.

If only **one child** disabled, then parental . . .

- o earned income higher than **$1,770** begins to reduce SSI.
- o earned income of **$2,710** prevents SSI payment.

- o unearned income higher than **$980** begins to reduce SSI.
- o unearned income of **$1,450** prevents SSI payment.

****

B. 2 Parents, 1 Child

If only **one parent** disabled, then parental . . .

- o earned income higher than **$790** begins to reduce SSI.
- o earned income of **$1,730** prevents SSI payment.

- o unearned income higher than **$490** begins to reduce SSI.
- o unearned income of **$960** prevents SSI payment.

If only **one child** disabled, then parental . . .

- o earned income higher than **$1,535** begins to reduce SSI.
- o earned income of **$2,475** prevents SSI payment.

- o unearned income higher than **$745** begins to reduce SSI.
- o unearned income of **$1,215** prevents SSI payment.

****

C. <u>**1 Parent, 1 Child**</u>

If the **parent** is disabled, then the parent's . . .

- o earned income higher than **$85** begins to reduce SSI.
- o earned income of **$1,025** prevents SSI payment.

- o unearned income higher than **$20** begins to reduce SSI.
- o unearned income of **$490** prevents SSI payment.

If the **child** is disabled, then the parent's . . .

- o earned income higher than **$1,065** begins to reduce SSI.
- o earned income of **$2,005** prevents SSI payment.

- o unearned income higher than **$510** begins to reduce SSI.
- o unearned income of **$980** prevents SSI payment.

****

D. <u>**2 Parents (Regardless of Number of Children)**</u>[1]

If **both parents** disabled, then parental . . .

- o earned income higher than **$85** begins to reduce SSI.
- o earned income of **$1495** prevents SSI payment.

- o unearned income higher than **$20** begins to reduce SSI.
- o unearned income of **$725** prevents SSI payment.

---

[1]Deeming not applicable in this scenario.

TO: Diane Fortuna
Parent to Child.
cc Web
Frank
JUDY

ROUTING AND TRANSMITTAL SLIP

DATE
February 14, 1996

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Mr. John R. Dyer Ms. Judy Chesser		
2. Ms. Carolyn Colvin Mr. Gil Fisher		
3. Ms. Ann Scheppach		
4. cc: Harry Ballantyne Rick Foster		
5. Steve Goss		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate	XX	For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

The attached estimates were provided to Jack Smalligan in the Office of Management and Budget at his request. Copies were also distributed to interested staff within SSA. Unless indicated on the cc list, these estimates have not been requested by (or provided to) anyone outside of SSA.

FROM: (Name, org. symbol, Agency/Post)	Room No.--Bldg.
Eli N. Donkar, OACT Deputy Chief Actuary	4-N-29, Link Phone No. 53004

MEMORANDUM February 14, 1996

TACA

FROM: Chris Motsiopoulos
Office of the Actuary

SUBJECT: Estimated Reduction in Federal SSI Payments Under a Proposal To Modify the Parent-To-Child Deeming Computation -- **INFORMATION**

The attached table presents estimated reductions in Federal SSI payments under various scenarios of a proposal to modify the Parent-to-Child deeming computation. These estimates assume that the subject proposal would be combined with a separate proposal which contains the childhood disability provisions as they appear in the Senate-passed version of H.R. 4, modified so that current recipients would be exempted from the new standard of disability until January 1, 1998 (see Section A, option 4 in Mary McKay's memorandum dated January 19, 1996). The reductions presented in the attached table are in addition to the reductions due to the latter proposal.

Under the subject proposal, the Parent-to-Child deeming computation would be modified in two areas. First, the earned income exclusion, currently $65 plus 50 percent of the remaining earned income, and second, the parent's living allowance, currently the full individual or couple Federal Benefit Rate (FBR) for one or two parents respectively. The scenarios in the table describe these changes.

Depending on the severity of the benefit reduction, and the population targeted under each scenario, the number of possible terminations in the first year of enactment (1997) varies widely. For subsequent years the proposal would result more in reduction of the number of new awards rather than termination of existing beneficiaries.

For purposes of making the estimates, the effective date of the proposal is assumed to be January 1, 1997. All estimates are based on the assumptions underlying the Mid-Session Review of the President's Fiscal Year 1996 Budget.

Chris Motsiopoulos
Actuary

Attachment

Estimated Reductions in Federal SSI Payments under various scenarios of a proposal to modify the Parent-to-Child deeming computation, fiscal years 1996-2005

(In millions)

Modifications: Percent of parental earned income to be counted	Modifications: Percent of FBR allocated for parent(s) living allowance[1]	Fiscal year: 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total 1996-2002	Total 1996-2005	Number of possible terminations in 1997
Present Law														
50%	100%	--	--	--	--	--	--	--	--	--	--	--	--	--
Scenario 1														
55%	100%	--	$70	$90	$95	$110	$95	$110	$120	$125	$140	$570	$955	10,000
Scenario 2														
50%	83%	--	115	140	145	170	155	175	185	195	220	900	1,500	14,000
Scenario 3[2]														
36%	50%	--	160	190	200	240	210	250	260	270	315	1,250	2,095	6,000
Scenario 4														
50%	80%	--	140	175	180	210	195	220	230	240	275	1,120	1,865	17,000
Scenario 5														
60%	100%	--	155	190	195	235	210	240	255	265	305	1,225	2,050	20,000
Scenario 6														
50%	75%	--	185	230	240	280	250	290	305	320	365	1,475	2,465	20,000
Scenario 7														
50%	67%	--	270	330	340	405	365	420	440	460	520	2,130	3,550	30,000

1 The percentage shown under each scenario applies to the individual and the couple FBR for one and two parents respectively.

2 Under this scenario the benefit amount decreases in some cases and increases in others. The savings shown is the net of the two effects. All other scenarios decrease the benefit for all recipients.

Notes:

1. For purposes of making the estimates, the effective date of the proposal is assumed to be January 1, 1997.
2. All estimates are based on the assumptions underlying the Mid-Session Review of the President's Fiscal Year 1996 Budget extended through 2005.
3. The reductions in benefit payments shown above are projected on a cash outlay basis. In particular, SSI payments due on October 1st in fiscal years 1996, 2001, and 2006 are included with benefit payments for the prior fiscal year.

Social Security Administration
Office of the Actuary
February 14, 1996

$30 cc. [illegible], Susan B, Jack Smalligan, substitute for parent to child deeming

SOCIAL SECURITY ADMINISTRATION
OFFICE OF THE DEPUTY COMMISSIONER FOR LEGISLATION AND CONGRESSIONAL AFFAIRS

Baltimore Maryland 21235

Fax Terminal Tel. No. (410) 966-2904

Date: February 12, 1996 **Pages:** Cover + 2

Fax Terminal Tel. No: 202 395 - 0851 **Auto Dial No.**

TO:	**FROM:**
Jack Smalligan	**Judy L. Chesser**
OMB	**DCLCA-SSA**
	Baltimore

PLEASE CALL (410) 965-2615 IF RETRANSMISSION IS NECESSARY

MESSAGE:

Attached is the proposal to apply the $30 payment for personal needs to all children who are in medical treatment facilities. We believe that this proposal, which would result in a little over $600 million in program savings over 5 years, is a more acceptable one than the various proposed modifications in the parent-to-child deeming rules.

Extension of the $30 payment limit to all children regardless of who is paying for the cost of their medical care eliminates the current situation where children of relatively wealthy (and even very wealthy) parents can become eligible for a full SSI benefits while they are in the hospital. While in the treatment facility their basic needs are being met as part of the treatment they receive. The estimated savings from this change are an indication of the scope of the problem.

The proposed changes in the parent-to-child formula would disadvantage those parents whose only income may be a fixed benefit from Social Security, VA, or child support payments, etc.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL # of pages ▶ 3

To Judy Chesser	From Dave Matton
Dept./Agency This is what was sent to	Phone # Smalligan
Fax # -482-7153	Fax # 966-2904

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

SOCIAL SECURITY ADMINISTRATION
FISCAL YEAR 1996 LEGISLATIVE PROPOSAL

Changes in Rules for the $30 Payment Limit

Apply the SSI $30 Payment Standard to Children in Medical Care Facilities and Apply the $30 Payment Standard to All Beneficiaries When Medicaid Covers a Substantial Portion of the Cost of Care, Regardless of the Type of Facility

Current Law: Under section 1611(e)(1)(B) of the Social Security Act, the SSI program applies a $30 payment standard, which may be reduced by income, to eligible individuals who are throughout any month in a hospital, extended care facility, nursing home or intermediate care facility and the cost of whose care is covered by Medicaid. Individuals in a medical care facility the cost of whose care is covered by public or private insurance, or in a medical care facility of a type not specified in the law and for the cost of whose care Medicaid pays a substantial portion, may receive full SSI benefits provided they meet all eligibility requirements.

Under section 1614(f)(2)(A) deeming of parental income and resources occurs only when the child is living in the same household as the parent.

Proposal: (1) Apply the SSI $30 payment standard to children in medical care facilities. (2) As it pertains to all individuals (children and adults), substitute for the references to specific types of medical facilities a reference to any medical treatment facility.

Rationale: SSI eligible children in medical care facilities do not have their parent's income and resources deemed to them because deeming applies only when parent and child live in the same household. As a result, hospitalized children, regardless of the parents' wealth, can be found eligible for SSI. In some cases these children are beneficiaries of private insurance rather than Medicaid and thus receive full SSI benefits, while a child whose expenses are paid primarily by Medicaid generally receives only $30 per month. The basic needs of institutionalized children are being met as part of their treatment and paid for by the insurer. Therefore, the $30 per month standard which enables these individuals to purchase personal items not provided by the institution and which applies to most Medicaid-eligible institutionalized children should also be applied in these cases.

In order to avoid inequitable situations, and in concert with the change made above, the references in current law to specific types of medical facilities should be revised. Medicaid coverage categories have changed over time without those changes being reflected in SSI law. As a result, some individuals may have the cost of their care covered by Medicaid, but, because the facility they are in does not match one in the list of specified facilities in SSI law, they receive a full SSI benefit. Removing the specified list of institutions from SSI law will eliminate the need to update SSI law every time coverage categories are changed under Medicaid.

Effect on Beneficiaries: Enactment of this proposal would eliminate inequities in payments to institutionalized children by providing that all SSI eligible children in medical care facilities would be subject to the $30 payment standard. It is estimated that at any given time there are about 14,000 SSI eligible children in medical care facilities where a substantial portion of the cost of their care is not covered by Medicaid, who would be affected by the proposed change. Those children would have their benefits reduced from the full benefit to no more than $30 per month.

We estimate that this proposal will affect approximately 15 thousand beneficiaries in the first year, rising to 20 thousand in the second and third years and 25 thousand in the fourth and fifth years. The majority of these affected individuals would be the children whose parents' wealth would preclude their children's eligibility for SSI if they were not in the medical facility.

In addition, the proposal would simplify the rules for applying the $30 payment standard and thus would allow for a better understanding of the rules by beneficiaries.

Federalism Impact: None.

Cost: (millions)

Program	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
-- Children	- $ 65	- $ 100	- $ 110	- $ 125	- $ 135
-- All Facilities	[1]	[1]	[1]	- $ 5	- $ 5
Administrative	+ $ 3	0	0	0	0

Personnel Requirements:

Work-years 24	0	0	0	0	0

Effective Date: Effective January 1, 1997.

Contact Person: Judy L. Chesser, (410) 965-2386

[1] Reduction in Federal payments of less than $2.5 million

ODCLLCA QUICK FAX

(202) 482-7112 - Voice / (202 482-7153 - Fax)

2/20/96

TO: Diana Fortuna

FROM: Judy Chesser

COVER + 3 **pages**

This form is produced on reused paper

cc: Diane Fortune
Fr: Judy

Parent[illegible] Child [illegible] Learning

ROUTING AND TRANSMITTAL SLIP

DATE
February 8, 1996

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Mr. John R. Dyer		
Ms. Judy Chesser		
2. Ms. Carolyn Colvin		
Mr. Gil Fisher		
3. Ms. Ann Scheppach		
4. cc:		
Harry Ballantyne Rick Foster		
5. Steve Goss		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate	XX	For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

The attached estimates were provided to Jack Smalligan in the Office of Management and Budget at his request. Copies were also distributed to interested staff within SSA. Unless indicated on the cc list, these estimates have not been requested by (or provided to) anyone outside of SSA.

LYNN
DC
JACK
ODC
ED
MM
JM
MAS
[illegible]
[illegible]
OASI
PAF
SSI
CCU

FROM: (Name, org. symbol, Agency/Post)	Room No.--Bldg.
Eli N. Donkar, OACT Deputy Chief Actuary	4-N-29, Link
	Phone No.
	53004

MEMORANDUM February 7, 1996

FROM: Chris Motsiopoulos **TACA**
Office of the Actuary

SUBJECT: Estimated Changes in the Average Benefit Amount Under a Proposal To Modify the Parent-To-Child Deeming Computation -- **INFORMATION**

The attached table presents estimated changes in the average benefit amount of children beneficiaries under a proposal to modify the Parent-To-Child deeming computation. These estimates were requested by the Office of Management and Budget. The table is a supplement to my memorandum of January 26, 1996, regarding this proposal.

The estimates presented here are based on a 10 percent extract of cases involving Parent-To-Child deeming for the period December 1994 to December 1995. Changes in the benefit amount due to this proposal were calculated for the above time period, and the results were applied to the projected caseload of children beneficiaries for the fiscal years 1997 to 2002. In addition, the benefit amount was indexed for the same period.

The estimates are intended to give the reader a rough indication of the average benefit level movement, and the number of beneficiaries affected at each level. They should not be perceived as accurate projections of either the average benefit levels or the number of beneficiaries affected at each level.

For purposes of making the estimates, the effective date of the proposal is assumed to be January 1, 1997. All estimates are based on the assumptions underlying the Mid-Session Review of the President's Fiscal Year 1996 Budget.

Chris Motsiopoulos
Actuary

Attachment

Children whose benefit would change, under a proposal to modify the Parent-to-Child deeming calculation, fiscal years 1997-2002 1/

Fiscal Year:	1997 Number	1997 Average Benefit Change	1998 Number	1998 Average Benefit Change	1999 Number	1999 Average Benefit Change	2000 Number	2000 Average Benefit Change	2001 Number	2001 Average Benefit Change	2002 Number	2002 Average Benefit Change
Children beneficiaries:	988,063		887,678		887,901		930,237		970,652		991,697	
Children eligible for deeming:	796,379	$ (25.33)	715,468	$ (26.16)	715,648	$ (27.00)	749,771	$ (27.83)	782,346	$ (28.66)	799,308	$ (29.49)
Children w/ benefit decrease:	194,706	$(105.14)	174,924	$(108.60)	174,968	$(112.05)	183,311	$(115.51)	191,275	$(118.96)	195,422	$(122.42)
Children w/ benefit unchanged:	597,429	$ -	536,732	$ -	536,867	$ -	562,465	$ -	586,902	$ -	599,627	$ -
Children w/ benefit increase:	4,244	$ 70.51	3,813	$ 72.82	3,814	$ 75.14	3,995	$ 77.46	4,169	$ 79.77	4,259	$ 82.09
FBR:		$ 487.00		$ 503.00		$ 519.00		$ 535.00		$ 551.00		$ 567.00

Benefit Change	1997 Number of Children	1998 Number of Children	1999 Number of Children	2000 Number of Children	2001 Number of Children	2002 Number of Children
Benefit Increases						
More than $140	559	503	503	527	550	562
120	-	228	228	239	249	254
100	253	-	379	398	415	424
80	422	379	-	477	498	509
60	507	455	455	-	-	731
40	728	654	655	686	716	-
20	1,752	1,574	1,575	1,650	1,722	1,759
0	21	19	19	20	21	21
Benefit Decreases						
0	21,039	18,902	18,906	19,808	20,669	21,117
20	21,314	19,148	19,153	20,066	20,938	21,392
40	23,531	21,140	21,145	22,154	-	-
60	26,064	23,416	23,422	-	23,116	23,617
80	28,608	25,702	-	24,539	25,605	26,160
100	18,696	-	25,708	26,934	28,104	28,714
120	16,954	16,796	16,801	17,602	18,366	18,764
140	10,905	15,231	15,235	15,962	16,655	-
160	3,093	9,797	9,800	10,267	10,713	17,016
180	2,766	2,779	2,780	2,912	-	10,945
200	2,439	2,465	2,485	-	3,039	3,104
220	8,023	2,191	2,191	2,604	2,717	2,776
240 2/	1,066	7,208	7,210	2,296	2,396	-
260 2/	1,066	958	-	7,553	7,882	2,448
280 2/	929	958	958	1,004	-	8,053
300 2/	707	835	958	1,004	1,047	1,070
320 2/	602	-	835	875	1,047	1,070
More than $340 2/	6,703	7,379	7,380	7,732	6,981	9,176

1/ This table is a supplement to the relevant memorandum by Chris Motsiopoulos, dated January 25, 1996

2/ Benefit reduction by more than $240 occurs almost exclusively when the parents have only Unearned income.

Note: All estimates are based on the assumptions underlying the Mid-Session Review of the President's Fiscal Year 1996 Budget

Social Security Administration
Office of the Actuary
February 7, 1996

FAX COVER

Date/Time:

Income Maintenance Branch
Executive Office of the President
Office of Management and Budget
Washington, DC 20503

TO: Diana Fortuna

FROM: Jack Smallgan

Fax Destination

Organization:

Fax Number:

Number of Attached Pages: *Cover +*

Notes: Taxing SSI benefits
section in Daschle plan

Income Maintenance Fax Number: 202/395-0851
Voice Confirmation: 202/395-4686

Daschle Plan
Taxing SSI Benefits

entitled to receive from the Secretary for any fiscal year an amount equal to—

"(1) the total amount expended by the State to carry out subsection (a) during the fiscal year; multiplied by

"(2) the Federal medical assistance percentage (as defined in the last sentence of section 1118).".

(c) EFFECTIVE DATE.—The amendments and repeals made by this section shall take effect on October 1, 1996.

SEC. 9206. CERTAIN FEDERAL ASSISTANCE INCLUDIBLE IN GROSS INCOME.

(a) IN GENERAL.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically included in gross income) is amended by adding at the end the following new section:

"SEC. 91. CERTAIN FEDERAL ASSISTANCE.

"(a) IN GENERAL.—Gross income shall include an amount equal to the specified Federal assistance received by the taxpayer during the taxable year.

"(b) SPECIFIED FEDERAL ASSISTANCE.—For purposes of this section—

"(1) IN GENERAL.—The term 'specified Federal assistance' means—

"(~~A) assistance provided under a State plan approved under part A of title IV of the Social Security Act (relating to temporary employment assistance program),~~

"(~~B) assistance provided under any food~~ stamp ~~program; and~~

"(~~C~~A) supplemental security income benefits under title XVI of the Social Security Act (including supplemental security income benefits of the type described in section 1616 of such Act or section 212 of Public Law 93-66).

Including state supp

"~~(2) SPECIAL RULE.—In the case of assistance provided under a program described in subsection (d)(2), such term shall include only the assistance required to be provided under section 21 or 22 (as the case may be) of the Food Stamp Act of 1977.~~

"(c) ~~INDIVIDUALS SUBJECT TO TAX.—For purposes~~ of ~~this section,~~

"(1 ~~) TEMPORARY EMPLOYMENT ASSISTANCE PROGRAM.—Assistance described in~~ subsection (b)~~(1)(A) shall be treated as received by the relative with whom the dependent child is living (within the meaning of section 406(c) of the Social Security Act).~~

~~“(d) Food Stamp Program.—For purposes of subsection (b), the term ‘food stamp program’ means—~~

~~“(1) the food stamp program (as defined in section 3(h) of the Food Stamp Act of 1977), and~~

~~“(2) the portion of the program under sections 21 and 22 of such Act which provides food assistance.”~~

(b) Reporting.—

(1) In general.—Subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end the following new section:

“SEC. 6050Q. PAYMENTS OF CERTAIN FEDERAL ASSISTANCE.

“(a) Requirement of Reporting.—The appropriate official shall make a return, according to the forms and regulations prescribed by the Secretary, setting forth—

“(1) the aggregate amount of specified Federal assistance paid to any individual during any calendar year, and

“(2) the name, address, and TIN of such individual.

“(b) Statements To Be Furnished to Persons With Respect to Whom Information Is Required.—Every person required to make a return under subsection

(a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

"(1) the aggregate amount of payments made to the individual which are required to be shown on such return, and

"(2) the name of the agency making the payments.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(c) DEFINITIONS AND SPECIAL RULE.—For purposes of this section—

"(1) APPROPRIATE OFFICIAL.—The term 'appropriate official' means—

"(A) in the case of specified Federal assistance described in section 91(b)(1)(A), the head of the State agency administering the plan under which such assistance is provided,

"(B) in the case of specified Federal assistance described in section 91(b)(1)(B), the head of the State agency administering the program under which such assistance is provided, and

"(C) in the case of specified Federal assistance described in section 91(b)(1)(C), the Secretary of Health and Human Services.

"(2) SPECIFIED FEDERAL ASSISTANCE.—The term 'specified Federal assistance' has the meaning given such term by section 91(b).

"(3) AMOUNTS TREATED AS PAID.—The rules of section 91(c) shall apply for purposes of determining to whom specified Federal assistance is paid."

(2) PENALTIES.—

(A) Subparagraph (B) of section 6724(d)(1) of such Code is amended by redesignating clauses (ix) through (xiv) as clauses (x) through (xv), respectively, and by inserting after clause (viii) the following new clause:

"(ix) section 6050Q (relating to payments of certain Federal assistance),".

(B) Paragraph (2) of section 6724(d) of such Code is amended by redesignating subparagraphs (Q) through (T) as subparagraphs (R) through (U), respectively, and by inserting after subparagraph (P) the following new subparagraph:

"(Q) section 6050Q(b) (relating to payments of certain Federal assistance),".

(c) ~~TEMPORARY EMPLOYMENT ASSISTANCE PROGRAM,~~ SUPPLEMENTAL SECURITY INCOME, ~~AND FOOD STAMP~~ BENEFITS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF THE EARNED INCOME TAX CREDIT.—Section 32 of the Internal Revenue Code of 1986 (relating to the earned income tax credit), is amended by adding at the end the following new subsection:

"(k) ADJUSTED GROSS INCOME DETERMINED WITHOUT REGARD TO CERTAIN FEDERAL ASSISTANCE.—For purposes of this section, adjusted gross income shall be determined without regard to any amount which is includible in gross income solely by reason of section 91."

(d) CLERICAL AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

"Sec. 91. Certain Federal assistance."

(2) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end the following new item:

"Sec. 6050Q. Payments of certain Federal assistance."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits received after December

31, 1995, except that the amendment made by subsection (c) shall apply to taxable years beginning after such date.

SEC. 9207. DEPENDENT CARE CREDIT TO BE REFUNDABLE; HIGH-INCOME TAXPAYERS INELIGIBLE FOR CREDIT.

(a) CREDIT TO BE REFUNDABLE.—

(1) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 (relating to expenses for household and dependent care services necessary for gainful employment) is hereby moved to subpart C of part IV of subchapter A of chapter 1 of such Code (relating to refundable credits) and inserted after section 34.

(2) TECHNICAL AMENDMENTS.—

(A) Section 35 of such Code is redesignated as section 36.

(B) Section 21 of such Code is redesignated as section 35.

(C) Paragraph (1) of section 35(a) of such Code (as redesignated by subparagraph (B)) is amended by striking "this chapter" and inserting "this subtitle".

(D) Subparagraph (C) of section 129(a)(2) of such Code is amended by striking "section 21(e)" and inserting "section 35(e)".

of businesses, regardless of the health status of any group members. Insurers would have to provide an open enrollment period of at least 30 days for all new employees (whether or not they were previously insured), and insurers could not individually underwrite new enrollees—i.e., their premiums would have to match other enrollees' with similar demographic characteristics.

To increase affordability, the President's insurance reforms phase out the use of claims experience, duration of coverage, and health status in determining rates for small businesses. To put the self-employed on a more equal footing with other businesses, the reforms gradually raise the self-employed tax deduction from 30 to 50 percent. And to help give small businesses the purchasing clout that larger businesses have, the budget gives technical assistance and $25 million a year in grants with which States can set up voluntary purchasing cooperatives.

Health Insurance for the Temporarily Unemployed

The budget gives individuals who lose their health insurance when they lose their jobs premium subsidies to pay for private insurance coverage for up to six months. States would receive funding to design and administer the program, which would provide coverage for about 3.8 million Americans a year. During the four-year period for which this program is authorized, a Commission would study and provide recommendations to the Administration and Congress as to making it permanent.

REFORMING WELFARE

For too long the welfare system has undermined the values of work and family, not strengthened them. The Administration has made steady progress in reforming welfare. In 1993, the President's economic plan gave tax cuts to 15 million working families through the Earned Income Tax Credit, which rewards work over welfare. The Federal Government collected a record $10 billion in child support in 1994. The Administration has given 35 States the freedom to experiment with welfare initiatives to move people from welfare to work and protect children.

The President is determined to keep working with Congress to enact a bipartisan welfare reform bill that moves people from welfare to work and protects children. The President's plan repeals the existing system, replacing it with one that requires work and provides child care so people can leave welfare for work. It saves $40 billion over seven years while promoting sweeping work-based reform and protecting children.

Time-Limited Employment Assistance and Child Protection

Everyone who can work should go to work, and no one who can work should be able to stay on welfare forever. The budget repeals Aid to Families with Dependent Children (AFDC) and replaces it with a new, time-limited, conditional entitlement in return for work. Within two years, parents must go to work or lose their benefits, and after five years, benefits end. The budget gives States new flexibility to design their own approach to welfare reform. At the same time, the plan provides vouchers for children whose parents reach the time limit, and protects States in the event of economic downturn or population growth.

The budget authorizes $3.8 billion above current law for child care to move recipients from welfare to work, and to help the working poor. It also includes an $800 million performance bonus fund to reward States that move people from welfare to work. It has tough new child support enforcement measures and a new Work First program to make welfare a transitional work-based system. And it preserves the national commitment to foster care and adoption assistance programs, preserving States' ability to respond to growing caseloads.

Supplemental Security Income (SSI) For Disabled Children and Others

The budget tightens eligibility standards for childhood disability benefits; retains full cash benefits for all eligible children; tightens eligibility for children now on the rolls, but provides that children found ineligible would not lose benefits until January 1998; trims cash benefits of children in families with relatively higher incomes; eliminates eligibility for SSI on the basis of drug addiction or alcoholism; adds resources for more continuing disability reviews; and provides new tools to collect SSI overpayments.

Food Stamps and Child Nutrition

The budget maintains the national nutrition safety net for the Food Stamp and Child Nutrition programs, enabling them to respond to the changing circumstances of families and children they serve.

Under the budget, the Food Stamp program continues to index basic benefits to inflation; all energy assistance counts as income; a work requirement makes adults aged 18 to 50 with no dependents ineligible for Food Stamps after six months of each year unless they work 20 hours a week or participate in workfare or training (although eligibility continues if a State fails to supply a training or workfare slot); and new integrity measures crack down on fraudulent Food Stamp trafficking and reduce program waste.

The budget better targets food subsidies for Family Day Care Homes, and makes other minor changes in Child Nutrition programs.

Title XX

The President's plan cuts the Social Services Block Grant by 10 percent, beginning in 1996.

Benefits for Legal Immigrants

The budget tightens sponsorship and eligibility rules for SSI, Food Stamps, and AFDC for non-citizens, forcing sponsors to bear greater responsibility for those they encourage to come to the United States. It counts (or "deems") sponsors' income in determining whether immigrants are eligible for benefits—until immigrants become citizens.

It also preserves eligibility for Medicaid; maintains the exemption for the disabled and the very elderly from deeming; and establishes a uniform definition of eligibility across the AFDC, Food Stamps, SSI, and Medicaid programs.

MAKING WORK PAY

Reward should follow responsibility. Those who play by the rules—who work hard, especially to support a family—should see the benefit of their efforts. With wages at the low end of the income scale often lagging, and with the task of parenting only getting harder, the budget provides support to make that hard work pay.

The Earned Income Tax Credit (EITC)

The budget ensures that low- and moderate-income taxpayers are rewarded for work and helped in meeting their family responsibilities through the EITC. The budget protects the EITC's dramatic expansion of 1993 that helped reward work for over 15 million families and households. Consistent with the Administration's multi-faceted efforts to improve compliance, the budget saves $5 billion by improving both the targeting of the EITC and compliance while continuing to ensure that eligible and deserving workers can claim and receive the EITC.

The Minimum Wage

In terms of purchasing power, the minimum wage is near a 40-year low. It is well below the minimum needed for a full-time, full-year worker to support a family. The best economic evidence suggests that a moderate increase in the minimum wage would improve the standard of living of millions

FAX COVER

Date/Time:

Income Maintenance Branch

Executive Office of the President
Office of Management and Budget
Washington, DC 20503

TO: Diana Fortuna

FROM: Jack Smalligan ext 57759

Fax Destination

Organization:

Fax Number:

Number of Attached Pages: Cover +

Notes: Paper on Two SSI proposals — Ken Apfel would like to discuss this with you after you have read the paper — per my voice mail message

Income Maintenance Fax Number: 202/395-0851
Voice Confirmation: 202/395-4686

DRAFT

COMPARISON OF TWO SSI PROPOSALS: TAXING SSI BENEFITS VS. MODIFYING PARENT TO CHILD DEEMING RULES

Background

The Daschle and Coalition balanced budget plans have a provision that would tax Supplemental Security Income (SSI) benefits. CBO has estimated the proposal would save $1.6 billion over 7 years. OMB has developed an alternative proposal that would modify existing rules which deem parent's income to disabled children for purposes of determining SSI benefit levels for disabled children.

Taxing SSI Benefits

In this proposal SSI benefits would be included in adjusted gross income (AGI) for purposes of calculating income tax liability.

Pro:

- Including SSI benefits in taxable incomes will raise revenue from those recipients with the highest relative incomes.

Con:

- The SSI program already has detailed rules for earned and unearned income that phase out benefits as other income increases. These rules already effectively accomplish the same purpose as taxing SSI benefits without involving the IRS.
- Taxing SSI benefits and not taxing all of OASDI benefits creates inequities between individuals in similar circumstances.
- Taxing SSI benefits will require potentially hundreds of thousand of people to file income tax returns who would otherwise not have to deal with IRS. For the SSI recipients who are ill equipped to deal with the tax system this will result in extra expenses for professional assistance. It would also significantly increase IRS's administrative costs.
- The SSI recipients who would be most likely to be effected by the tax on SSI benefits will be those with relatively large state supplements. Consequently, the impact of the provision will be disproportionately felt in a few states.

Revising Parent to Child Deeming Rules

Currently SSI rules begin to reduce a disabled child's benefit level when the parent's income is at approximately the poverty level. The child's benefit is completely phased out at approximately 180% of poverty. The exact levels at which benefits are reduced will vary by the family composition (i.e., number of parents and ineligible children). Once the parent's income exceeds exempt amounts, additional earned income now reduces the child's benefit by $1 for every $2 in earned income. The OMB proposal would: (1) reduce the amount of exempt income so that a child's benefit begins to be reduced at a lower income level and (2) reduce the rate at which benefits are phased out. The offsetting effects of the two changes would, as much as possible, be made so as not to cause anyone to lose eligibility for SSI. As a safeguard, the proposal includes a provision that prevents any affected children from losing eligibility for Medicaid. An illustrative chart is attached. The proposal would save $1.2 billion over 7 years.

Pro:

- The proposed modification would focus the benefit reduction on families with relatively higher incomes.
- Unlike taxing SSI benefits, this proposal produces savings without creating new burdens for either SSI recipient or government agencies.

Con:

- The proposal reduces benefits for disabled SSI children. In contrast, taxing SSI benefits primarily effects adult SSI recipients. ?

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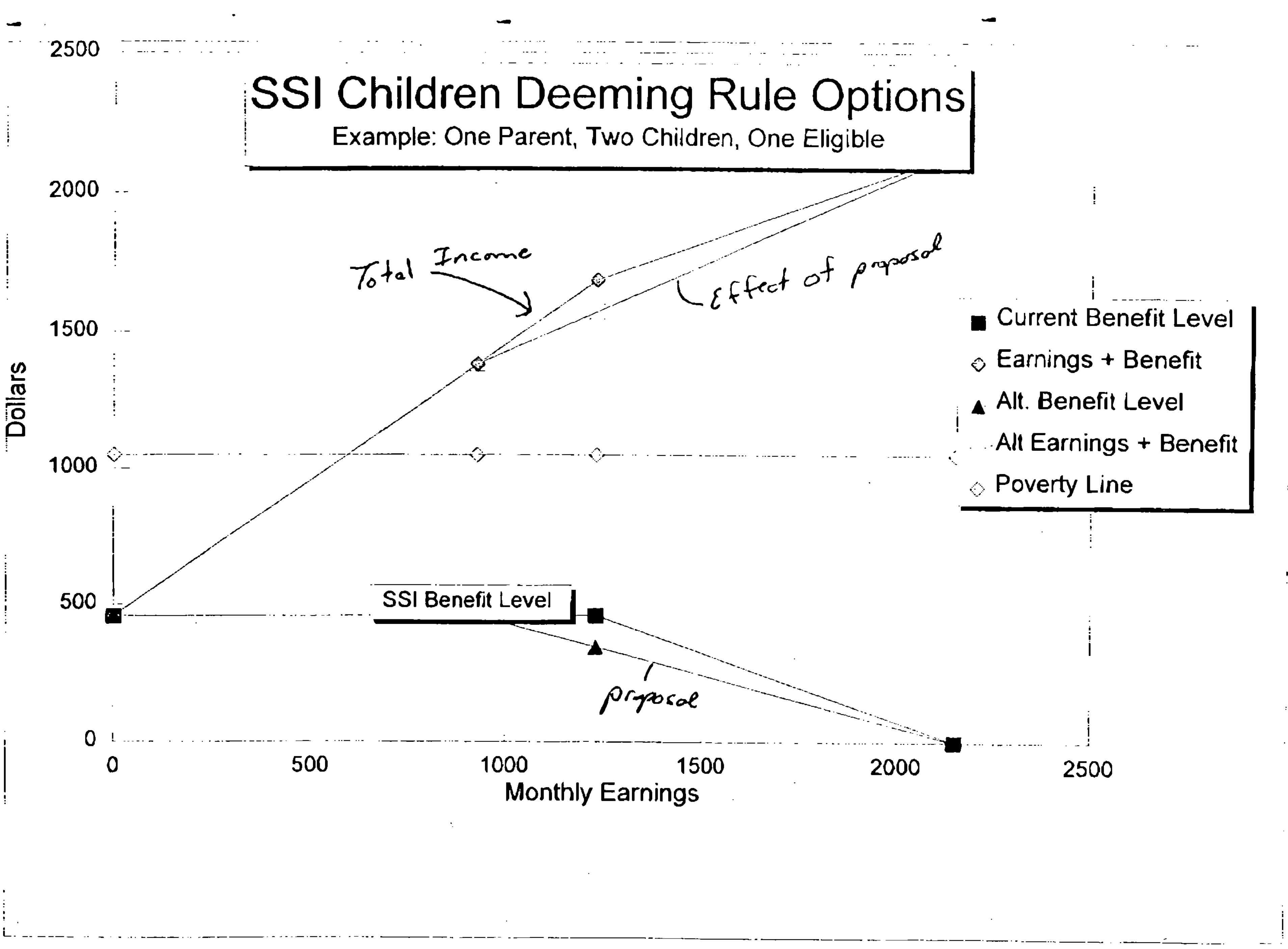
SSI Children Deeming Rule Options
Example: One Parent, Two Children, One Eligible
Dollars
2500
2000
1500
1000
500
0
Monthly Earnings
0
500
1000
1500
2000
2500
Current Benefit Level
Earnings + Benefit
Alt. Benefit Level
Alt Earnings + Benefit
Poverty Line
SSI Benefit Level
Total Income
Effect of proposal
proposal