

AMERICANS FOR



TAX REFORM

LEGISLATIVE ALERT

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POVERTY LEVEL

The “poverty level” generally refers to the *poverty guidelines* issued yearly in the Federal Register by the Department of Health and Human Services. A simplification of the *poverty thresholds*, the guidelines are used for administrative purposes, such as determining financial eligibility for certain federal programs. Although a few relatively recent provisions of Medicaid use the poverty guidelines, the rest of that program (accounting for approximately $\frac{3}{4}$ of Medicaid eligibility determinations) does not use the guidelines. Other programs not utilizing the guidelines include: Temporary Assistance for Needy Families (and its predecessor, Aid to Families with Dependent Children), Supplemental Security Income, the Earned Income Tax Credit program, the Department of Housing and Urban Development’s means-tested housing assistance programs, and the Social Security Block Grant.

The original version of the federal poverty measure is called *poverty thresholds*, information updated by the Census Bureau and used for statistical purposes, like estimating the numbers of Americans in poverty each year. Poverty thresholds are more detailed and thus take longer to compile; to implement programs before data are available, poverty guidelines are estimated and published.

An example of the discrepancy that exists between thresholds and guidelines is as follows:

In 1999, for 2 people with 2 dependents whose householder was under 65 years, the poverty level was \$16,895.

In 1999, for 2 people with no dependents whose householder was over 65 years, the poverty level was \$10,075.

In 1999, for a family unit of 1 within the contiguous 48 states, the poverty level was \$8,240. For each additional person, add \$2,820; for a family of four, therefore, the poverty level was \$16,700. Levels vary significantly for Hawaii and Alaska.

Source: U.S. Census Bureau and the Institute for Research on Poverty at the University of Wisconsin at Madison.

