



# NISKANEN C E N T E R

## FAMILY BENEFITS IN AMERICA: 2024 REPORT CARD

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The Niskanen Center is a 501(c)3 issue advocacy organization that works to change public policy through direct engagement in the policymaking process.

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## Key takeaways

- The Niskanen Center's second annual *Family Benefits Report Card* examines how American families benefit from two distinct sets of social policies: traditional social assistance programs, including Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP); and refundable tax credits, including Earned Income Tax Credits (EITC) and Child Tax Credits (CTC).
- Federal and state policymakers, however, often navigate between maximizing the anti-poverty and pro-work effects of a family benefit without a full picture of how benefits interact with one another. The results can be precisely opposite of the aims — policies intended to create economic opportunity for those at the bottom of the ladder unwittingly penalize upward mobility.
- For 2024, we evaluated total benefits and implicit marginal tax rates that families with young children face when their earnings increase. Our analysis focuses on 11 states: California, Colorado, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon, and Vermont.
- For families with no earnings, total benefits from social assistance and refundable tax credits ranged from \$12,362 in New Mexico to \$19,394 in California for a single parent with one child, and \$20,980 to \$30,782 for married parents with two children. These incomes put them between about 60 percent and just short of the federal poverty threshold in 2024.
- Families face higher implicit marginal tax rates when they move from a minimum- to a median-wage job than when they transition from welfare to a minimum-wage job, affirming recent research indicating that we have moved from a poverty trap to a just-above-poverty trap.

## Introduction

**F**amilies with young children are potentially eligible for dozens of public benefits to support them during periods of unemployment and to supplement their earnings when they are employed.<sup>1</sup> Access to these benefits varies depending on earnings, marital status, age of children, and where families reside. This patchwork across programs and states is so complex that social scientists, advocates, and policymakers often narrow their focus to examine a single program in isolation. While this gives a clear view of the impact of any one program, it risks missing the forest for the trees.

Families do not experience these programs one at a time, but as an interactive system. With our second annual *Family Benefits in America Report Card*, we continue to develop a more holistic understanding of family benefits, their impact on family resources, and how they support families as parents' employment circumstances shift and evolve over time.<sup>2</sup> Developing a fuller, updated understanding of this landscape is particularly important given the rising number of new, often innovative family benefits that states have rolled out.<sup>3</sup> For this year's report, we add Maine to the growing list of states that offered

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1. U.S. House. "[Welfare Reform at 20: The Challenges with Reforming the Rest of the Welfare System](#)" (Washington DC: Committee on Ways and Means, 2016).

2. For similar approaches, see the excellent work of Jennifer Romich, including but not limited to "[Difficult Calculations: Low-Income Workers and Marginal Tax Rates](#)," *Social Service Review* 80, No. 1 (2006); Prenatal-to-3 Policy Impact Center's [2024 Policy Impact Calculator](#); and Eugene Steuerle's testimony "[Marginal Tax Rates, Work, and the Nation's Real Tax System](#)."

3. Joshua McCabe, "[The state of our families: Child and dependent tax benefits in the states](#)" (Washington D.C.: Niskanen Center, 2023)

refundable child tax credits in 2024. Colorado's new Family Affordability Tax Credit also substantially increases the generosity on top of the existing child tax credit.

This report calculates the cumulative impact of six major benefit programs on two types of families, examining how their benefits change as they move into the labor market and climb the economic ladder. What we find is that social assistance programs are the main source of income for families with no income, while refundable CTCs are playing an increasingly important role in boosting incomes at the bottom. Refundable credits, particularly EITCs, are the primary supplement to earnings to lift families with minimum-wage workers above the poverty line. For families with median-wage workers, the impact is even more pronounced: refundable CTCs are the primary supplement to earnings that push them well above the poverty line.

We also find that efforts to help families moving from welfare to work have been effective, but these reforms have unwittingly ended up penalizing upwardly mobile families moving from minimum- to median-wage jobs.

We begin with an overview of these programs, focusing on benefit amounts and program structures. Next, we discuss the states, families, and programs that we model. With this background, we set forth our main findings and their implications for policy.

## America's family benefit patchwork

Families with children may find themselves benefiting from two sets of social policies that provide them with cash or with benefits similar to cash. One set comprises traditional social assistance programs and includes Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP). These are federally supported programs that are administered by states and aimed at assisting families whose breadwinners are unemployed and attempting to reenter the workforce. The other set of policies consists of refundable tax credits, which essentially are benefits administered through the tax code. They include Earned Income Tax Credits (EITC) and Child Tax Credits (CTC). The federal government and many states independently run their own tax credit programs.

Two aspects of these programs are especially important: the maximum benefit amount and the implicit marginal tax rate (IMTR) that they may impose on families. In cases in which families receive more than one benefit, these benefits can create a cumulative benefit level much higher than for any given program in isolation. The most common example is that a family receiving TANF benefits is very likely to be receiving SNAP benefits as well. Evidence suggests that participation in multiple programs is common.<sup>4</sup>

To fully understand families' economic circumstances, we need to know how much they may be receiving in total benefits across multiple programs in any given situation. We also need to know what kind of work incentives or disincentives they may be facing. Implicit marginal tax rates show the benefits that families lose (or gain) on each additional dollar of earnings.<sup>5</sup> Income-tested programs such as TANF, SNAP, and EITC are available only to those with low or moderate earnings. As earnings increase, these benefits begin to phase out or even abruptly end. The EITC, for example, phases out at a 21.06 percent

4. Suzanne Macartney and Robin Ghertner, "How Many People that Receive One Safety Net Benefit Also Receive Others?" (Washington DC: Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 2023).

5. See briefs in the Assistant Secretary for Planning and Evaluation's [Marginal Tax Rate Series](#) (2019).



rate for each dollar earned after a certain threshold for workers with two children. In other words, they face a 21.06 percent IMTR on each dollar earned after a certain point.<sup>6</sup>

In cases in which families receive more than one income-tested benefit, these implicit marginal tax rates can stack on top of each other, creating a cumulative IMTR much higher than for any given program in isolation. The most obvious example is the phaseout of state EITCs simultaneously with the federal EITC.

In some cases, workers face “benefit cliffs” in which IMTRs climb to 100 percent and above.<sup>7</sup> An additional dollar of earnings may result in workers losing their entire benefit — potentially worth hundreds or thousands of dollars — and leaving them worse off than they would have been if they had earned less. Social scientists and policymakers have recognized for decades that high IMTRs are a problem for low-income families with children because of such risks.

This risk was one reason that President Richard M. Nixon dubbed it the “welfare mess” in 1969 when he proposed replacing Aid to Families with Dependent Children (AFDC), the forerunner of TANF, with an ambitious negative income tax program called the Family Assistance Plan (FAP).<sup>8</sup> The problem, as some in his administration saw it, was that AFDC would penalize families trying to move from welfare to work by reducing their benefits 1:1 for each dollar they earned. The FAP was viewed as too radical and languished in Congress, but it renewed attention to the problem of high IMTRs.

Federal policymakers took on high IMTRs most directly beginning in the 1990s. There was a bipartisan consensus on the need for welfare reform in combination with policies to help “make work pay” for low-income families. Adjustments to the EITC (1993), AFDC/TANF and SNAP (1996), and the CTC (1997) fundamentally changed the IMTRs for families moving from welfare to work.<sup>9</sup> States undertook similar reforms to their TANF and SNAP programs and introduced their own EITCs.

These reforms were largely successful in reducing IMTRs on those moving from welfare to work, but recent evidence suggests that this achievement came at a high cost. Collectively, these reforms shifted the focus of benefits from unemployed households to employed households with low incomes and, in so doing, merely shifted the problem of high IMTRs to households just above the federal poverty level.<sup>10</sup>

We provide a brief overview of each of these programs today before delving into our analysis.

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6. Margot Crandall-Hollick, Gene Falk, and Conor Boyle, [The Earned Income Tax Credit \(EITC\): How It Works and Who Receives It](#) (Washington, D.C.: Congressional Research Service, 2023)

7. Teresa Anderson et al, “[Balancing at the Edge of the Cliff Experiences and Calculations of Benefit Cliffs, Plateaus, and Trade-Offs](#)” (Washington D.C.: Urban Institute, 2022); Kess Ballentine, Sara Goodkind, and Jeffrey Shook, “[How Low-Paid Parents Navigate The Complex Financial Landscape Of Benefits Cliffs And Disincentive Deserts](#),” *Health Affairs* 41, no. 12 (2022); Craig Richardson and Zachary Blizard, “Benefits cliffs, disincentive deserts, and economic mobility,” *Journal of Poverty* 26, no. 1 (2022); National Council of State Legislatures, [Moving on Up Helping Families Climb the Economic Ladder by Addressing Benefits Cliffs](#) (Washington, D.C.: NCSL, 2019).

8. Brian Steensland, [The Failed Welfare Revolution: America's Struggle over Guaranteed Income Policy](#) (Princeton: Princeton University Press, 2018).

9. Joshua McCabe, [The Fiscalization of Social Policy: How Taxpayers Trumped Children in the Fight Against Child Poverty](#) (Oxford University Press, 2018).

10. Robert Moffitt, “[The deserving poor, the family, and the US welfare system](#),” *Demography* 52, No. 3 (2015); Elaine Maag, Eugene Steuerle, Ritadhi Chakravarti, and Caleb Quakenbush, “[How marginal tax rates affect families at various levels of poverty](#),” *National Tax Journal* 65, no. 4 (2012); Assistant Secretary for Planning and Evaluation (2019) “Marginal Tax Rate Series”; Ed Dolan, [Work disincentives hit the near-poor hardest. Why and what to do about it](#). (Washington, D.C.: Niskanen Center, 2022); Zachary Parolin, Matthew Desmond, and Christopher Wimer, “[Inequality Below the Poverty Line since 1967: The Role of the U.S. Welfare State](#),” *American Sociological Review* 88, no. 5 (2023).

## Social Assistance: TANF and SNAP

TANF and SNAP are the two primary social assistance programs designed to boost the incomes of low-income families. Both are income tested, meaning they are only available to households whose incomes fall below a certain level.<sup>11</sup>

Since the 1996 welfare reforms, TANF has been a state program that follows broad federal rules and is funded partially by federal block grants. Among other benefits, it provides cash assistance to families in need. The share of eligible families receiving cash assistance has steadily declined from about 80 percent in 1996 to about 25 percent in 2023. However, there is substantial variation across states. Among the 11 states examined here, take-up rates — that is, the percent of eligible families who receive cash assistance — range from about 20 percent in New Jersey to almost 60 percent in California and Oregon. Overall, TANF has the lowest participation rate among all the programs considered in this report.<sup>12</sup>

In 2024, the maximum monthly benefit for a single parent with one child ranged from \$162 in Arkansas to \$1,057 in New Hampshire (see Figure 1). States vary on how they determine benefit levels. Some states set the maximum benefit in nominal terms and make occasional statutory adjustments, while others index benefit levels to inflation or the federal poverty threshold. States phase out TANF benefits based on a combination of earnings disregards and maximum earnings thresholds, creating IMTRs that vary widely across states.<sup>13</sup>

SNAP, formerly known as “food stamps,” is a federal program administered by the states. Introduced in 1964, SNAP has evolved into an income-tested “near cash” benefit for low-income households. States issue an electronic benefit transfer (EBT) — basically, a debit card for food purchases — to eligible households based on number of family members, income, and other factors. In 2024, the maximum monthly benefit for a single parent with one child was \$540, which was more generous than the maximum TANF benefit for the same family in over half of all states.

The basic SNAP program has a gross income limit equal to 130 percent of the federal poverty level (FPL), but most states have taken advantage of the option to expand it up to 200 percent of the FPL by using what is called broad-based categorical eligibility (BBCE).<sup>14</sup> The SNAP phaseout rate varies based on a set of income tests and deductions for basic expenses. For most households, this creates IMTRs in the range of 24 percent to 36 percent for each additional dollar earned.<sup>15</sup> In some cases, households face a benefit cliff when earning an additional dollar can lead to the loss of their entire SNAP benefit. Most states mitigate this effect by using BBCE to provide a longer runway to phase out benefits (see Table 1).

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11. Unemployment Insurance plays a similar role but eligibility is based on work history and involuntary unemployment rather than household income.

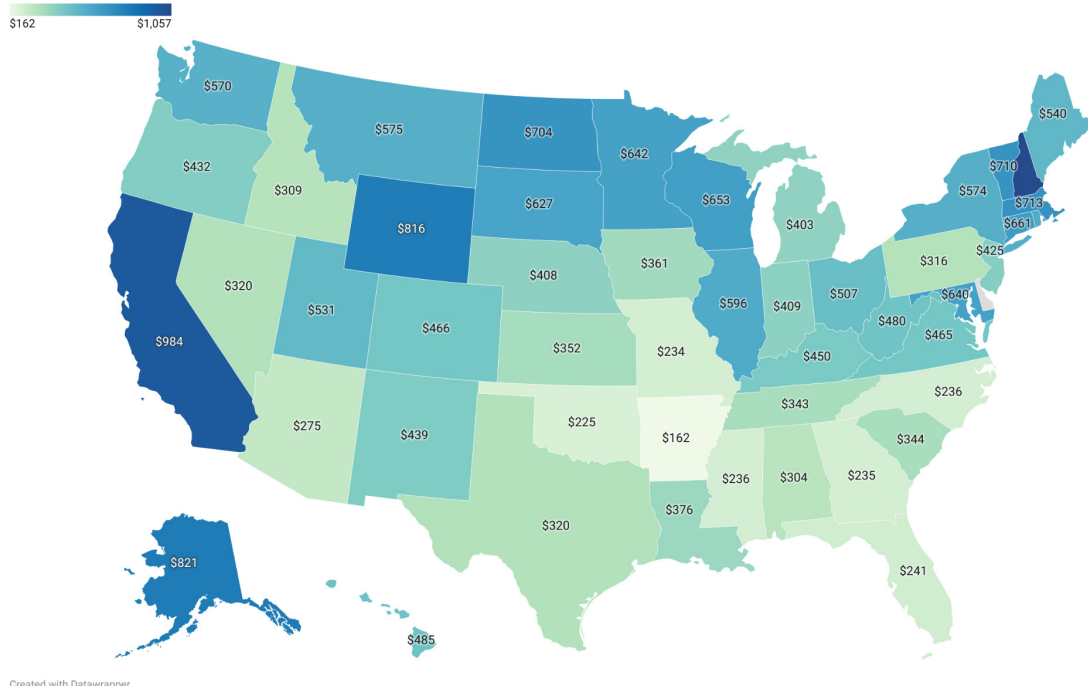
12. Gene Falk, *Temporary Assistance for Needy Families: The Decline in Assistance Receipt Among Eligible Individuals* (Washington D.C.: Congressional Research Service, 2023); Wonsik Ko and Robert Moffitt, *Take-Up of Social Benefits*. In: Zimmermann, K.F. (eds) *Handbook of Labor, Human Resources and Population Economics*. (Springer, 2022).

13. See [Urban Institute's Welfare Rules Databook](#)

14. Craig Gundersen, Timothy Smeeding, Judith Bartfeld, and James Ziliak, *SNAP Matters: How Food Stamps Affect Health and Well-Being* (Stanford: Stanford University Press, 2015); Randy Aussenberg and Gene Falk, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits* (Washington D.C.: Congressional Research Service, 2023).

15. Joseph Llobrera and Lauren Hall, “[SNAP Provides Critical Benefits to Workers and Their Families](#)” (Washington D.C.: Center on Budget and Policy Priorities, 2023).

**Figure 1: Maximum TANF benefit for a family of two (2024)**



**Table 1: SNAP gross income limits as a percent of the federal poverty line (2024)**

130%	Between 130% and 200%	200%
Alabama	Arizona	California
Alaska	Illinois	Colorado
Arkansas	Iowa	Connecticut
Georgia	Nebraska	Delaware
Idaho	New Jersey	Florida
Indiana	New Mexico	Hawaii
Kansas	New York	Kentucky
Louisiana	Oregon	Maine
Mississippi	Rhode Island	Maryland
Missouri	Vermont	Massachusetts
Ohio	Virginia	Michigan
Oklahoma		Minnesota
South Carolina		Montana
South Dakota		Nevada
Tennessee		New Hampshire
Utah		North Carolina
Wyoming		North Dakota
		Oregon
		Pennsylvania
		Washington
		West Virginia
		Wisconsin

## Federal and state EITCs

Congress introduced the federal Earned Income Tax Credit (EITC) in 1974 as a temporary measure to help shield lower-income workers with children from rising payroll taxes. Lawmakers subsequently made the EITC permanent and expanded it several times in the decades that followed.

The EITC is a refundable, income-tested tax benefit that phases in with earnings until reaching a maximum benefit that varies based on the number of children (\$4,213–\$7,830 in 2024). It plateaus briefly before phasing out again for single parents earning more than \$22,720 and for married parents earning more than \$29,640. Figure 2 illustrates the value of the EITC for families based on earnings and number of children in 2024.

Since 1986, 31 states have introduced state-level EITCs to supplement the federal credit (see Table 2). All but four states — Missouri, Ohio, South Carolina, and Utah — provide a refundable credit: If a person's tax liability is lower than the credit amount for which they qualify, the state provides the remainder as a payment, even if the credit reduces the tax liability below zero.<sup>16</sup> Nonrefundable credits can only reduce tax liability to zero. Table 2 shows states with refundable and nonrefundable credits. Nearly every state sets its EITC at a percentage of the federal credit, with rates ranging from 4 percent in Wisconsin to 125 percent in South Carolina.<sup>17</sup>

The EITC's implicit marginal tax rates differ depending on household earnings and number of children. For very low-income families, the IMTR is negative, as the credit phases in with earnings. For workers in this range, each additional dollar earned results in an additional 34 cents (one child), 40 cents (two children), or 45 cents (three or more children) in benefits up to a certain amount. They then face a 0 percent IMTR in the plateau range. After families reach the next earnings threshold, the credit begins to phase out at a rate of either 15.98 percent (one child) or 21.06 percent (two or more children).

States that set their EITC as a percentage of the federal credit adhere to the same threshold structure, which results in varying IMTRs depending on the state's maximum credit amount. These usually push the cumulative IMTR up or down 1 percent to 5 percent, depending on the specific state details.

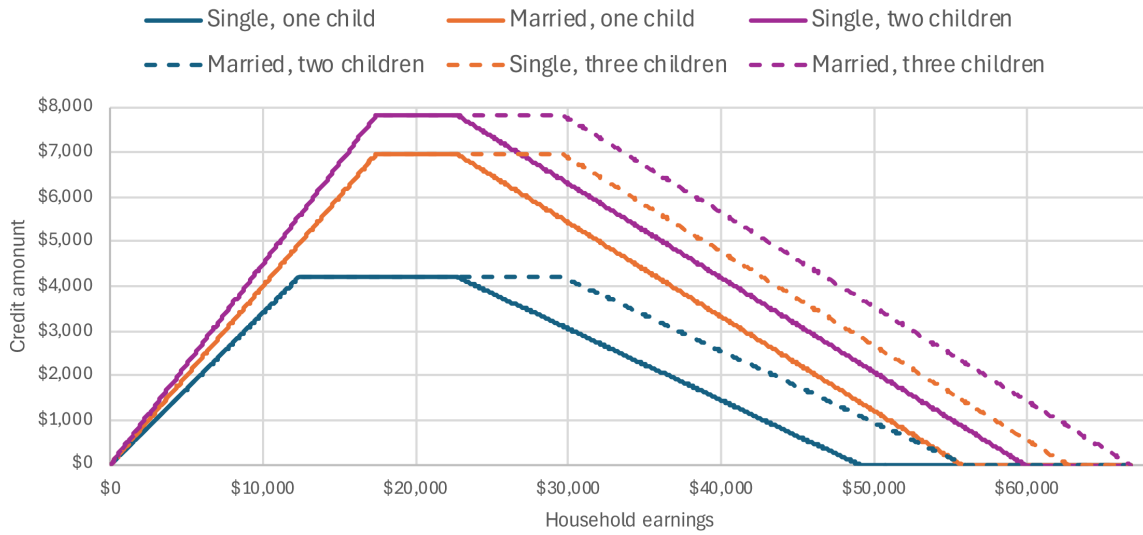
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16. Delaware and Maryland allow filers to choose between a more generous nonrefundable credit or a less generous refundable credit.

17. California, Minnesota, and Washington set their own parameters. See National Council of State Legislatures, [Earned Income Tax Credit Overview](#) (Washington D.C.: NCSL, 2024).



**Figure 2: Value of the federal EITC (2024)**



**Table 2: States' EITCs (2024)**

Refundable EITC (federal match for workers with children)		Nonrefundable EITC	No EITC	No personal income tax
California	Minnesota	Missouri (20%)	Alabama	Alaska
Colorado (50%)	Montana (10%)	Ohio (30%)	Arizona	Florida
Connecticut (40%)	Nebraska (10%)	South Carolina (125%)	Arkansas	Nevada
Delaware (4.5%)	New Jersey (40%)	Utah (20%)	Georgia	New Hampshire
Hawaii (40%)	New Mexico (25%)		Idaho	South Dakota
Illinois (40%)	New York (30%)		Kentucky	Tennessee
Indiana (10%)	Oklahoma (5%)		Mississippi	Texas
Iowa (15%)	Oregon (9-12%)		North Carolina	Wyoming
Kansas (17%)	Rhode Island (16%)		North Dakota	
Louisiana (5%)	Vermont (38%)		Pennsylvania	
Maine (25%)	Virginia (15%)		West Virginia	
Maryland (45%)	Washington			
Massachusetts (40%)	Wisconsin (4-34%)			
Michigan (30%)				

## Federal and state CTCs

Congress introduced the federal Child Tax Credit (CTC) in 1997 as a nonrefundable credit for families with children under 17. Over time, Congress increased the value of the credit, the portion that is refundable, and the phaseout thresholds to include more families at the top and bottom. In 2024, the credit was worth up to \$2,000 per child. It begins to phase out at 5 percent for single parents making more than \$200,000 and married parents making more than \$400,000. These IMTRs affect fewer families because they are set so high. As with the EITC, the federal CTC phases in with earnings for low-income families (see Figure 4).

The first \$1,700 of the CTC is refundable, phasing in at 15 percent per household after \$2,500 in earnings. Any credit remaining is nonrefundable and phases in depending on a household's tax liability. Because the \$1,700 cutoff for refundability applies even for filers with more than one child, each additional child means the household must have higher earnings (and thus a greater tax liability) to claim the full credit. As with the EITC, this creates negative IMTRs for low-income families that vary with household size. High-income families face a 5 percent IMTR as the credit phases out.

Since 1967, 21 states have introduced state-level Child Tax Credits to supplement the federal credit (see Table 3). In contrast to state EITCs, state CTCs are almost always set independent of the federal CTC. In 2024, 11 states — California, Colorado, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon, and Vermont — provided a fully refundable credit, which makes the full benefit available to families without earnings. Another 12 states have nonrefundable CTCs.<sup>18</sup>

Maximum benefits range from \$29 per child in Arkansas to \$4,400 per child in Colorado.<sup>19</sup> Most states with refundable credits target the credit toward younger children. Age eligibility ranges from children under 4 years old in six states to children under 17 years old in three states. States with nonrefundable credit tend to extend eligibility to children under 19 years old and to dependents more broadly.<sup>20</sup>

Focusing on states with refundable credits, Figure 5 illustrates each state's CTC structure for a single parent with one young child in 2024. The most common structure — a fully refundable credit with no phase-in — creates a 0 percent IMTR for the lowest-income families. But states vary widely in phaseout thresholds and rates. Thresholds range from \$15,000 in Maryland to a universal credit in Massachusetts. Phaseout rates range from 0 percent in Massachusetts to benefit cliffs (where earning an additional dollar can result in the loss of all or a substantial amount of the credit) in Colorado, Maryland, New Jersey, and New Mexico. As a result, IMTRs vary widely depending on the state's credit structure and household earnings.

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18. Some states, like California and Oregon, have both refundable and nonrefundable CTCs.

19. This includes Colorado's base CTC, which is worth up to \$1,200 for each child, and its Family Affordability Tax Credit, which is worth up to \$3,200 for each younger child.

20. Joshua McCabe, *The state of our families: Child and dependent tax benefits in the states* (Washington D.C.: Niskanen Center, 2023); Halah Ahmad and Jack Landry, *Cash at the State Level: Guaranteed Income Through the Child Tax Credit* (New York: Jain Family Institute, 2023); Aiden Davis and Neva Butkus, *States are Boosting Economic Security with Child Tax Credits in 2023* (Washington D.C.: Institute on Taxation and Economic Policy, 2023).

Figure 4: Value of the federal CTC (2024)

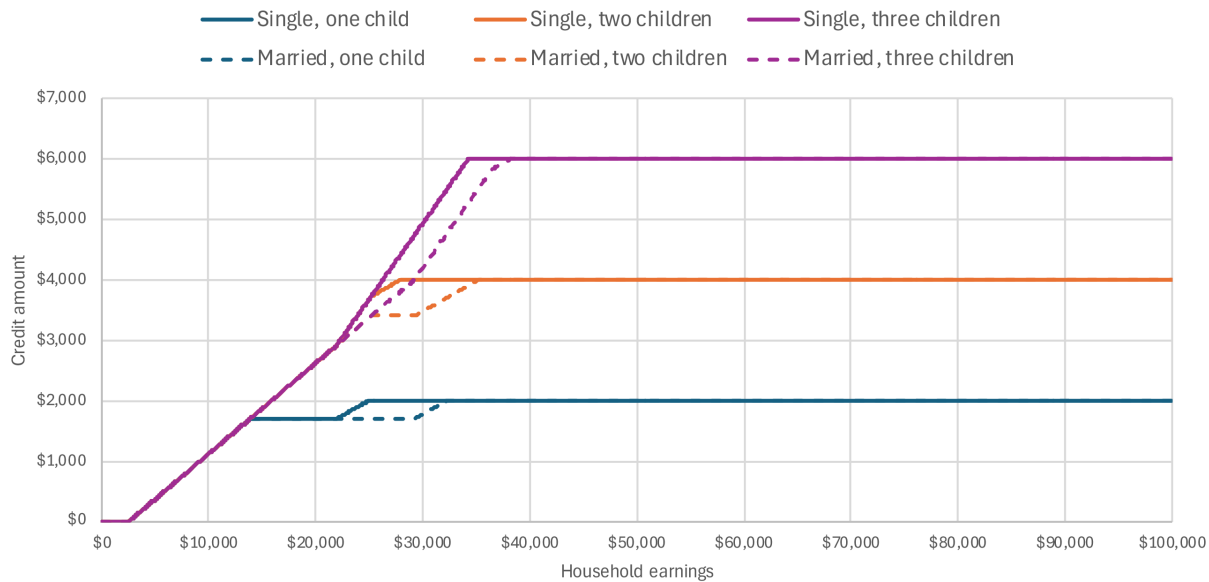
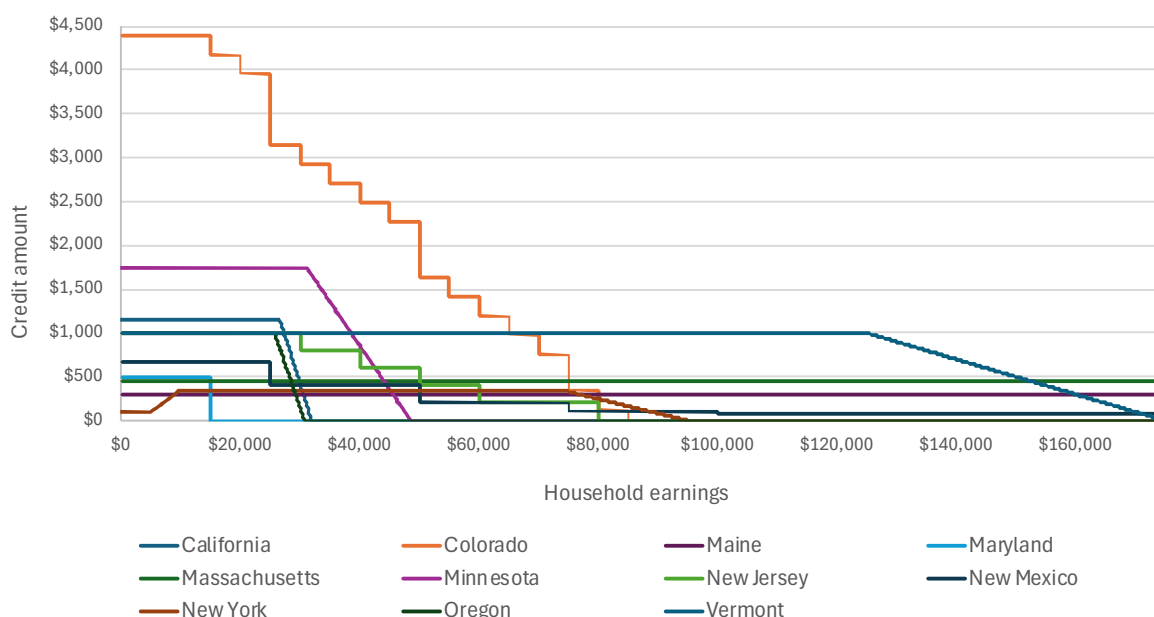


Table 3: State CTCs (2024)

Refundable CTC	Nonrefundable CTC	No CTC	No personal income tax
California	Arizona	Alabama	Alaska
Colorado	Arkansas	Connecticut	Florida
Maine	California	Georgia	Nevada
Maryland	Delaware	Hawaii	New Hampshire
Massachusetts	Idaho	Illinois	South Dakota
Minnesota	Iowa	Indiana	Tennessee
New Jersey	Kentucky	Kansas	Texas
New Mexico	Nebraska	Louisiana	Washington
New York	Oklahoma	Michigan	Wyoming
Oregon	Oregon	Mississippi	
Vermont	Pennsylvania	Missouri	
	Utah	Montana	
		North Carolina	
		North Dakota	
		Ohio	
		Rhode Island	
		South Carolina	
		Virginia	
		West Virginia	
		Wisconsin	

**Figure 5: Value of the state CTCs for a single parent with one child (2024)**



## Measuring benefits and IMTRs for families with young children

We evaluate total benefits and implicit marginal tax rates that families with young children face when their earnings increase, focusing on 11 states: California, Colorado, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon, and Vermont. We chose these states because they all provided a refundable Child Tax Credit in tax year 2024, part of a trend that should help deepen our understanding of benefits and IMTRs for low-income families,<sup>21</sup> and, as a result, help inform and improve public policy.

We consider six major benefits: TANF, SNAP, federal and state EITCs, and federal and state CTCs. These six are the most basic cash or near-cash programs that families encounter and, with the exception of TANF, have relatively high take-up rates.<sup>22</sup>

We center our evaluation on two income zones: welfare to work and climbing the ladder. We will first explore the benefit changes and IMTRs that arise when families move from welfare to work, which we operationalize as \$0 earnings and earnings from working full-time for the relevant state minimum wage. While the barriers facing families when they transition from welfare to work have been the subject of numerous studies, there is less research on the benefits and IMTRs that upwardly mobile families face when they begin earning beyond the minimum wage. For this reason, we also look at families successfully climbing the economic ladder and the changes associated with the transition from a state's minimum wage to its median wage. Together, these two zones provide us with a fuller picture of total household income (earnings plus benefits) when families advance economically.

21. We are indebted to and building on the earlier work of Steuerle and Romich in the United States and the Caledon Institute in Canada. See Jennefer Laidley and Mohy-Dean Tabbara, *Welfare in Canada*, 2023 (Toronto: Maytree/Caledon Institute, 2024).

22. Wonsik Ko and Robert A. Moffitt, "Take-up of social benefits," *Handbook of Labor, Human Resources and Population Economics* (Springer Nature, 2024). The effects of federal and state tax systems more broadly and other means-tested programs warrant further discussion but are beyond the scope of this analysis. Despite steadily declining access to TANF cash assistance, it is still considered one of the major social assistance programs for unemployed families with children so we include it here.

**Welfare to work:** Policymakers tend to focus on the advantages and barriers that arise when families move from welfare to work. We first evaluate the benefits and implicit marginal tax rates that arise when a person with zero income begins working full-time at a state's minimum wage.<sup>23</sup> It is important to look at these rates on a state-by-state basis because minimum wages vary widely between states and may interact with EITCs and CTCs in unexpected ways.<sup>24</sup> Some benefits may be phasing in with earnings while others may be phasing out in ways that could affect decision-making, depending on the specific state environment.<sup>25</sup>

**Climbing the ladder:** Policymakers also often view minimum wage work as a stepping stone that allows low-wage workers to develop their skills, receive raises and promotions, and ultimately increase long-term earnings. But, as some evidence suggests, policymakers have inadvertently created new barriers to upward mobility for these same families by pushing them to the phaseout threshold for many means-tested programs. We evaluate the benefits and implicit marginal tax rates that arise when a household with one parent working full-time at the state's minimum wage begins earning the full-time equivalent of the state's median wage.<sup>26</sup> It was previously unclear whether these families face lower or higher IMTRs than the welfare-to-work families.

We consider two family structures: a single parent with one child, age 5, and a married couple with two children, ages 3 and 5. We assume both are single-earner families with one parent working full-time at the state's minimum wage or median wage or is unemployed. We focus on families with young children because it allows us to capture the most crucial years of child development and because parental earnings are typically lower at this stage of life.

We made several additional assumptions when modeling various benefits. Refundable tax credit calculations are relatively straightforward, requiring adjustment only for family size and marital status. For TANF calculations, we assumed that households pay for shelter, have no special needs, and reside in the most populated area of the state. For SNAP, we assumed that no one in the household was over 60 or had a disability, and that households did not pay any utilities or monthly homeowners insurance but did pay rent equal to the fair market rent for a two-bedroom residence in the state's largest metro area (40 percent of the area's median rent). For both TANF and SNAP, we assumed that recipients had no unearned or uncounted income such as investment income, Social Security, child support, or unemployment benefits.

This approach does have important limitations. By focusing exclusively on these benefits, it excludes several other family benefits (e.g., rental assistance, child care assistance, and state-level nonrefundable CTCs) as well as traditional tax policies (e.g., payroll taxes, income taxes) that may affect a family's IMTRs and total disposable income.<sup>27</sup>

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23. U.S. Department of Labor, [Changes in Basic Minimum Wages in Non-Farm Employment Under State Law: Selected Years 1968 to 2023](#) (Washington D.C.: Division of Fair Labor Standards Act and Child Labor, 2024).

24. Joshua McCabe, [“Stop trying to increase state minimum wages and EITCs – and focus on state CTCs”](#) (Washington D.C.: Niskanen Center, 2024).

25. Joshua McCabe, [“The need for comprehensive state tax credit reform”](#) (Washington D.C.: Niskanen Center, 2024).

26. U.S. Department of Labor, [“May 2023 State Occupational Employment and Wage Estimates”](#) (Washington D.C.: Bureau of Labor Statistics, 2024).

27. For a more comprehensive treatment of the issues related to measuring IMTRs, see Sebastian Leguizamon, [“Estimating implicit marginal tax rates of welfare recipients across the US states,”](#) *Public Finance Review* 40, no. 3 (2012).



## Main findings

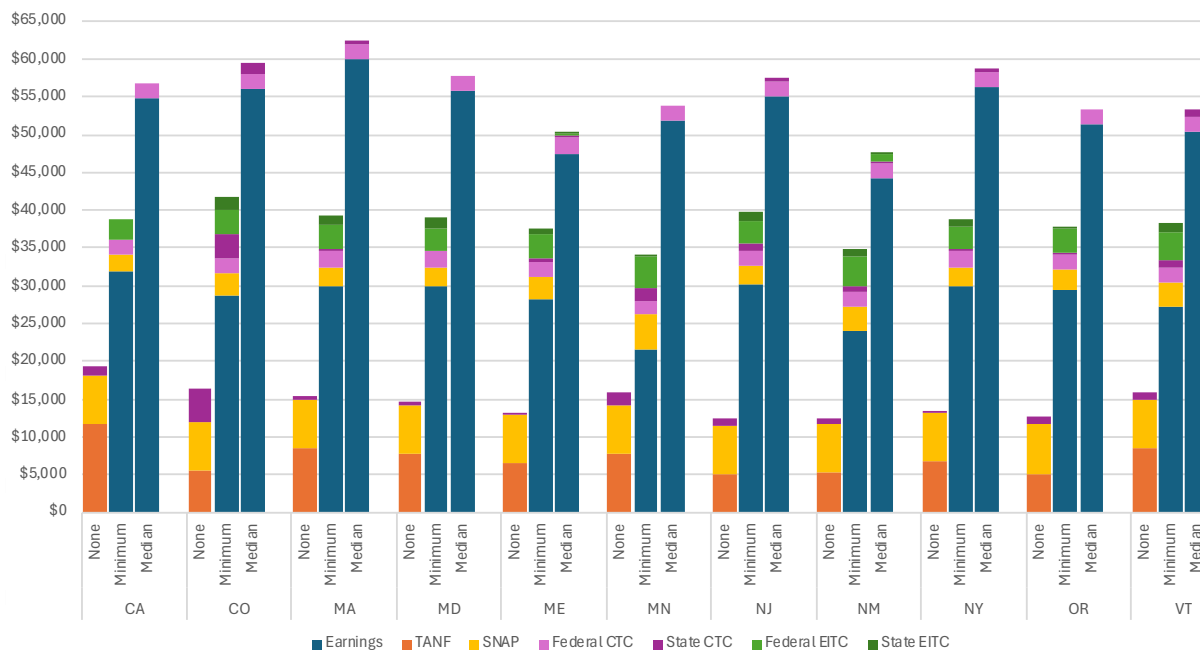
Social assistance programs are the main source of income for families with no earnings, while refundable CTCs are playing an increasingly important role in boosting incomes at the bottom. Refundable credits, particularly EITCs, are the primary supplement to earnings to lift families with minimum-wage workers above the poverty line. For families with median-wage workers, the impact is even more pronounced: refundable CTCs are the primary supplement to earnings that push them well above the poverty line.

For families with no earnings, total benefits from social assistance and refundable tax credits ranged from \$12,362 in New Mexico to \$19,394 in California for a single parent with one child and, in the same two states, \$20,980 to \$30,782 for married parents with two children (see Figures 6 and 7, which show the portion of income from each source). Total incomes put these families between about 60 percent and just below the federal poverty threshold in 2024.

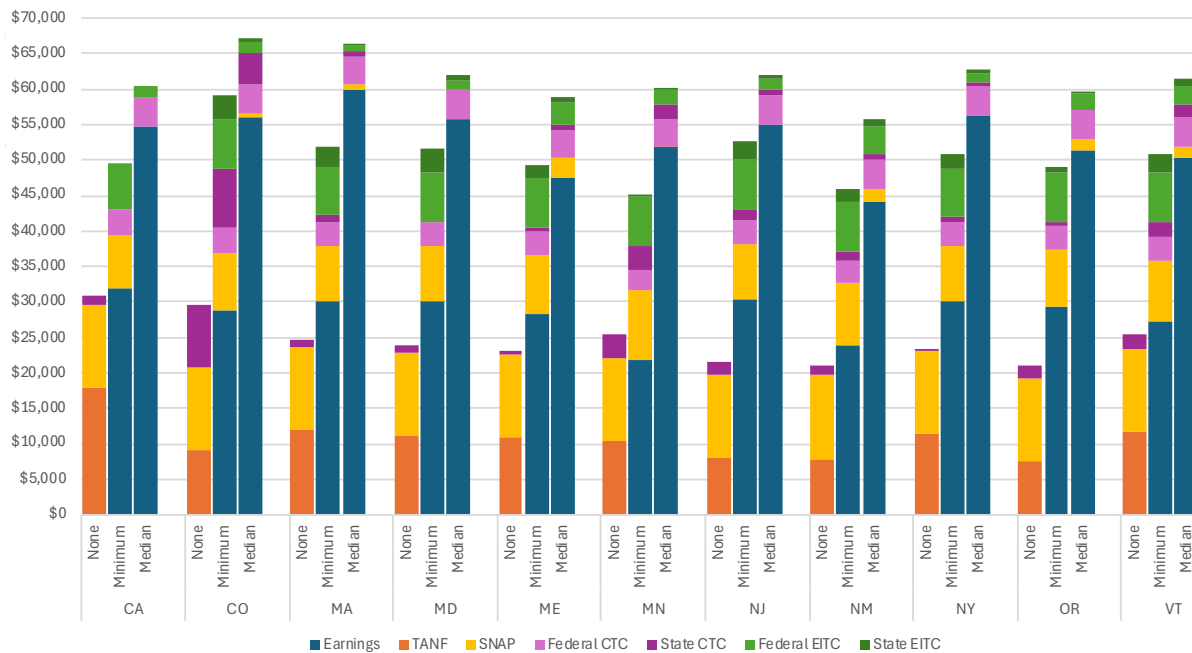
For families in which one parent is working full-time at the state minimum wage, total income from earnings and the six programs examined here ranged from \$34,237 in Minnesota to \$41,641 in Colorado for a single parent with one child and, in the same two states, \$45,230 to \$59,164 for married parents with two children. Total incomes put these families between about 145 percent and 205 percent of the federal poverty threshold in 2024.

For families in which one parent is working full-time at the state median wage, total income from earnings and the six programs examined here ranged from \$47,509 in New Mexico to \$62,320 in Massachusetts for a single parent with one child, and \$55,718 in New Mexico to \$67,126 in Colorado for married parents with two children. Total incomes put these families between about 175 percent and 305 percent of the federal poverty threshold in 2024.

**Figure 6: Income breakdown, single parent with one child**



**Figure 7: Income breakdown, married parents with two children**



Family incomes are not static over time. Parents get jobs and earn raises and promotions, so we want to understand what happens to their benefits when their earnings increase. Looking at what happens when families move from welfare to work and from minimum-wage to median-wage jobs provides a better understanding of the implicit marginal tax rates they face when they climb the ladder of economic mobility. Here's what the data shows:

A single parent who has one child and moves from welfare to work faces IMTRs ranging from 6.2 percent in New Mexico to 39.4 percent in California. When that same family climbs the ladder from a full-time minimum-wage job to a median-wage job, it faces IMTRs ranging from 21 percent in California to 37.1 percent in New Mexico (see Figure 8).

A married couple who has two children and moves from welfare to work faces IMTRs ranging from -3.7 percent in New Mexico to 41.5 percent in California. When that same family climbs the ladder from a full-time minimum-wage job to a median-wage job, it faces IMTRs ranging from 49.9 percent in Maine to 70.2 percent in Colorado (see Figure 9).

Two factors help explain this variation across states for families moving from welfare to work. First, more generous TANF benefits tend to lead to higher IMTRs in the transition from welfare to work, but more generous state EITC benefits have a countervailing effect. Second, the impact of state CTC benefits varies depending on whether the threshold at which they begin phasing out is low or high. In California, for example, families lose their TANF and entire CTC when they transition to full-time work but earn too much to be eligible for the state EITC. These findings confirm previous research that suggests policy reforms have reduced IMTRs at the bottom by pushing them up to families above the federal poverty line. With the exception of California, families moving from welfare to work typically face IMTRs under 21 percent from these programs.

For families moving from minimum- to median-wage work, on the other hand, the concurrent loss of SNAP, federal EITC, state EITC, and in some cases state CTC benefits contributes to IMTRs that leave many families with less than 50 cents for each additional \$1 they earn.

Figure 8: Selected implicit marginal tax rates for single parent with one child



Figure 9: Selected implicit marginal tax rates for married parents with two children



## Conclusion

Policymakers often navigate the tradeoff between maximizing the anti-poverty and pro-work effects of a family benefit. Historically, they have had to do so in a vacuum, without having a full, clear picture of how family benefits interact with one another. Their work is made even more difficult by the fact that federal and state policymakers are making separate decisions in isolation from one another and under very different circumstances.

Our review shows that the result can be precisely the opposite of the aim—that a policy intended to create economic opportunities for those at the bottom of the ladder unwittingly penalizes upward mobility. It's not only counterproductive, it's downright Kafkaesque.

The goal of our annual Family Benefits Report Card is to equip policymakers with a more comprehensive, dynamic picture of family benefits in America so that they can devise policies that strengthen children, families, communities, and the country by creating economic opportunity and rewarding rather than penalizing work.

## About the author

Joshua McCabe is the Director of Social Policy at the Niskanen Center. He focuses on issues related to child poverty and household stability. McCabe previously worked as an Assistant Professor of Sociology and Assistant Dean for Social Sciences at Endicott College. McCabe's work has been featured in the *Washington Post*, *National Review*, *The Hill*, and other outlets. McCabe earned a bachelor's degree in political science from Emmanuel College; a master's degree in regional economic and social development from the University of Massachusetts Lowell; and a doctorate in sociology from the State University of New York at Albany.

## Appendix: State-by-state breakdown of income and implicit marginal tax rates by family structure and earnings

### California

#### *Single parent, one child (age 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$32,000	-	\$54,760	-
TANF	\$11,808	\$0	36.90%	\$0	0.00%
SNAP	\$6,432	\$2,052	13.69%	\$0	9.02%
Federal CTC	\$0	\$2,000	-6.25%	\$2,000	0.00%
State CTC	\$1,154	\$0	3.61%	\$0	0.00%
Federal EITC	\$0	\$2,730	-8.53%	\$0	11.99%
State EITC	\$0	\$0	0.00%	\$0	0.00%
Total	\$19,394	\$38,782	39.41%	\$56,760	21.01%

#### *Married parent, two children (ages 3 and 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$32,000	-	\$54,760	-
TANF	\$17,928	\$0	56.03%	\$0	0.00%
SNAP	\$11,700	\$7,368	13.54%	\$0	32.37%
Federal CTC	\$0	\$3,680	-11.50%	\$4,000	-1.41%
State CTC	\$1,154	\$0	3.61%	\$0	0.00%
Federal EITC	\$0	\$6,463	-20.20%	\$1,670	21.06%
State EITC	\$0	\$0	0.00%	\$0	0.00%
Total	\$30,782	\$49,511	41.47%	\$60,430	52.03%



## Colorado

### *Single parent, one child (age 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$28,840	-	\$55,980	-
TANF	\$5,592	\$0	19.39%	\$0	0.00%
SNAP	\$6,432	\$2,808	12.57%	\$0	10.35%
Federal CTC	\$0	\$2,000	-6.93%	\$2,000	0.00%
State CTC	\$4,400	\$3,140	4.37%	\$1,420	6.34%
Federal EITC	\$0	\$3,235	-11.22%	\$0	11.92%
State EITC	\$0	\$1,618	-5.61%	\$0	5.96%
<b>Total</b>	<b>\$16,424</b>	<b>\$41,641</b>	<b>12.56%</b>	<b>\$59,400</b>	<b>34.56%</b>

### *Married parent, two children (ages 3 and 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$28,840	-	\$55,980	-
TANF	\$9,024	\$0	31.29%	\$0	0.00%
SNAP	\$11,700	\$8,124	12.40%	\$636	27.59%
Federal CTC	\$0	\$3,400	-11.79%	\$4,000	-2.21%
State CTC	\$8,800	\$8,360	1.53%	\$4,520	14.15%
Federal EITC	\$0	\$6,960	-24.13%	\$1,413	20.44%
State EITC	\$0	\$3,480	-12.07%	\$706	10.22%
<b>Total</b>	<b>\$29,524</b>	<b>\$59,164</b>	<b>-2.77%</b>	<b>\$67,255</b>	<b>70.19%</b>

## Maine

### *Single parent, one child (age 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$28,300	-	\$47,540	-
TANF	\$6,480	\$0	22.90%	\$0	0.00%
SNAP	6432	\$2,940	12.34%	\$0	15.28%
Federal CTC	\$0	\$2,000	-7.07%	\$2,000	0.00%
State CTC	\$300	\$300	0.00%	\$300	0.00%
Federal EITC	\$0	\$3,321	-11.73%	\$247	15.98%
State EITC	\$0	\$830	-2.93%	\$62	3.99%
Total	\$13,212	\$37,691	13.50%	\$50,149	35.25%

### *Married parent, two children (ages 3 and 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$28,300	-	\$47,540	-
TANF	\$10,920	\$0	38.59%	\$0	0.00%
SNAP	\$11,700	\$8,256	12.17%	\$2,760	28.57%
Federal CTC	\$0	\$3,400	-12.01%	\$4,000	-3.12%
State CTC	\$600	\$600	0.00%	\$600	0.00%
Federal EITC	\$0	\$6,960	-24.59%	\$3,190	19.59%
State EITC	\$0	\$1,740	-6.15%	\$798	4.90%
Total	\$23,220	\$49,256	8.00%	\$58,888	49.94%

## Maryland

### *Single parent, one child (age 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$55,820	-
TANF	\$7,680	\$0	25.60%	\$0	0.00%
SNAP	\$6,432	\$2,532	13.00%	\$0	9.81%
Federal CTC	\$0	\$2,000	-6.67%	\$2,000	0.00%
State CTC	\$500	\$0	1.67%	\$0	0.00%
Federal EITC	\$0	\$3,050	-10.17%	\$0	11.81%
State EITC	\$0	\$1,525	-5.08%	\$0	5.91%
Total	\$14,612	\$39,107	18.35%	\$57,820	27.53%

### *Married parent, two children (ages 3 and 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$55,820	
TANF	\$11,220	\$0	37.40%	\$0	0.00%
SNAP	\$11,700	\$7,848	12.84%	\$0	30.40%
Federal CTC	\$0	\$3,480	-11.60%	\$4,000	-2.01%
State CTC	\$1,000	\$0	3.33%	\$0	0.00%
Federal EITC	\$0	\$6,884	-22.95%	\$1,446	21.06%
State EITC	\$0	\$3,442	-11.47%	\$723	10.53%
Total	\$23,920	\$51,654	7.55%	\$61,989	59.97%

## Massachusetts

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$59,880	-
TANF	\$8,556	\$0	28.52%	\$0	0.00%
SNAP	\$6,432	\$2,532	13.00%	\$0	8.47%
Federal CTC	\$0	\$2,000	-6.67%	\$2,000	0.00%
State CTC	\$440	\$440	0.00%	\$440	0.00%
Federal EITC	\$0	\$3,050	-10.17%	\$0	10.21%
State EITC	\$0	\$1,220	-4.07%	\$0	4.08%
Total	\$15,428	\$39,242	20.62%	\$62,320	22.76%

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$59,880	-
TANF	\$12,036	\$0	40.12%	\$0	0.00%
SNAP	\$11,700	\$7,848	12.84%	\$672	24.02%
Federal CTC	\$0	\$3,480	-11.60%	\$4,000	-1.74%
State CTC	\$880	\$880	0.00%	\$880	0.00%
Federal EITC	\$0	\$6,884	-22.95%	\$591	21.06%
State EITC	\$0	\$2,754	-9.18%	\$236	8.42%
Total	\$24,616	\$51,846	9.23%	\$66,259	51.76%

## Minnesota

### *Single parent, one child (age 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$21,700	-	\$51,740	-
TANF	\$7,704	\$0	35.50%	\$0	0.00%
SNAP	\$6,432	\$4,524	8.79%	\$0	15.06%
Federal CTC	\$0	\$1,700	-7.83%	\$2,000	-1.00%
State CTC	\$1,750	\$1,750	0.00%	\$0	5.83%
Federal EITC	\$0	\$4,213	-19.41%	\$0	14.02%
State EITC	\$0	\$350	-1.61%	\$0	1.17%
Total	\$15,886	\$34,237	15.43%	\$53,740	35.08%

### *Married parent, two children (ages 3 and 5)*

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$21,700	-	\$51,740	-
TANF	\$10,332	\$0	47.61%	\$0	0.00%
SNAP	\$11,700	\$9,840	8.57%	\$84	32.48%
Federal CTC	\$0	\$2,880	-13.27%	\$4,000	-3.73%
State CTC	\$3,500	\$3,500	0.00%	\$1,879	5.40%
Federal EITC	\$0	\$6,960	-32.07%	\$2,306	15.49%
State EITC	\$0	\$350	-1.61%	\$188	0.54%
Total	\$25,532	\$45,230	9.23%	\$60,197	50.18%



## New Jersey

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,260	-	\$55,020	-
TANF	\$5,100	\$0	16.85%	\$0	0.00%
SNAP	\$6,432	\$2,472	13.09%	\$0	9.98%
Federal CTC	\$0	\$2,000	-6.61%	\$2,000	0.00%
State CTC	\$1,000	\$800	0.66%	\$400	1.62%
Federal EITC	\$0	\$3,008	-9.94%	\$0	12.15%
State EITC	\$0	\$1,203	-3.98%	\$0	4.86%
Total	\$12,532	\$39,743	10.08%	\$57,420	28.61%

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,260	-	\$55,020	-
TANF	\$7,968	\$0	26.33%	\$0	0.00%
SNAP	\$11,700	\$7,788	12.93%	\$0	31.45%
Federal CTC	\$0	\$3,506	-11.59%	\$4,000	-2.00%
State CTC	\$2,000	\$1,600	1.32%	\$800	3.23%
Federal EITC	\$0	\$6,829	-22.57%	\$1,615	21.06%
State EITC	\$0	\$2,732	-9.03%	\$646	8.42%
Total	\$21,668	\$52,715	-2.60%	\$62,081	62.17%

## New Mexico

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$24,000	-	\$44,100	-
TANF	\$5,268	\$0	21.95%	\$0	0.00%
SNAP	\$6,432	\$3,288	13.10%	\$0	16.36%
Federal CTC	\$0	\$1,910	-7.96%	\$2,000	-0.45%
State CTC	\$662	\$662	0.00%	\$414	1.23%
Federal EITC	\$0	\$4,008	-16.70%	\$796	15.98%
State EITC	\$0	\$1,002	-4.18%	\$199	4.00%
Total	\$12,362	\$34,870	6.22%	\$47,509	37.12%

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$24,000	-	\$44,100	-
TANF	\$7,956	\$0	33.15%	\$0	0.00%
SNAP	\$11,700	\$8,628	12.80%	\$1,896	33.49%
Federal CTC	\$0	\$3,225	-13.44%	\$4,000	-3.86%
State CTC	\$1,324	\$1,324	0.00%	\$828	2.47%
Federal EITC	\$0	\$6,960	-29.00%	\$3,915	15.15%
State EITC	\$0	\$1,740	-7.25%	\$979	3.79%
Total	\$20,980	\$45,877	-3.74%	\$55,718	51.04%

## New York

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$56,320	-
TANF	\$6,888	\$0	22.96%	\$0	0.00%
SNAP	\$6,432	\$2,532	13.00%	\$0	9.62%
Federal CTC	\$0	\$2,000	-6.67%	\$2,000	0.00%
State CTC	\$100	\$330	-0.77%	\$330	0.00%
Federal EITC	\$0	\$3,050	-10.17%	\$0	11.59%
State EITC	\$0	\$915	-3.05%	\$0	3.48%
Total	\$13,420	\$38,827	15.31%	\$58,650	24.68%

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$30,000	-	\$56,320	-
TANF	\$11,412	\$0	38.04%	\$0	0.00%
SNAP	\$11,700	\$7,848	12.84%	\$0	29.82%
Federal CTC	\$0	\$3,480	-11.60%	\$4,000	-1.98%
State CTC	\$200	\$660	-1.53%	\$660	0.00%
Federal EITC	\$0	\$6,884	-22.95%	\$1,341	21.06%
State EITC	\$0	\$2,065	-6.88%	\$402	6.32%
Total	\$23,312	\$50,937	7.92%	\$62,723	55.22%

## Oregon

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$29,400	-	\$51,340	-
TANF	\$5,184	\$0	17.63%	\$0	0.00%
SNAP	\$6,432	\$2,676	12.78%	\$0	12.20%
Federal CTC	\$0	\$2,000	-6.80%	\$2,000	0.00%
State CTC	\$1,000	\$270	2.48%	\$0	1.23%
Federal EITC	\$0	\$3,146	-10.70%	\$0	14.34%
State EITC	\$0	\$283	-0.96%	\$0	1.29%
Total	\$12,616	\$37,775	14.42%	\$53,340	29.06%

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$29,400	-	\$51,340	-
TANF	\$7,452	\$0	25.35%	\$0	0.00%
SNAP	\$11,700	\$7,992	12.61%	\$1,680	28.77%
Federal CTC	\$0	\$3,420	-11.63%	\$4,000	-2.64%
State CTC	\$2,000	\$540	4.97%	\$0	2.46%
Federal EITC	\$0	\$6,960	-23.67%	\$2,390	20.83%
State EITC	\$0	\$626	-2.13%	\$215	1.87%
Total	\$21,152	\$48,938	5.49%	\$59,625	51.29%

## Vermont

### Single parent, one child (age 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$27,340	-	\$50,400	-
TANF	\$8,520	\$0	31.16%	\$0	0.00%
SNAP	\$6,432	\$3,168	11.94%	\$0	13.74%
Federal CTC	\$0	\$2,000	-7.32%	\$2,000	0.00%
State CTC	\$1,000	\$1,000	0.00%	\$1,000	0.00%
Federal EITC	\$0	\$3,475	-12.71%	\$0	15.07%
State EITC	\$0	\$1,321	-4.83%	\$0	5.73%
<b>Total</b>	<b>\$15,952</b>	<b>\$38,304</b>	<b>18.25%</b>	<b>\$53,400</b>	<b>34.53%</b>

### Married parent, two children (ages 3 and 5)

	No earnings	Full-time at state minimum wage		Full-time at state median wage	
	Income	Income	IMTR	Income	IMTR
Earnings	\$0	\$27,340	-	\$50,400	-
TANF	\$11,712	\$0	42.84%	\$0	0.00%
SNAP	\$11,700	\$8,484	11.76%	\$1,524	30.18%
Federal CTC	\$0	\$3,400	-12.44%	\$4,000	-2.60%
State CTC	\$2,000	\$2,000	0.00%	\$2,000	0.00%
Federal EITC	\$0	\$6,960	-25.46%	\$2,580	18.99%
State EITC	\$0	\$2,645	-9.67%	\$980	7.22%
<b>Total</b>	<b>\$25,412</b>	<b>\$50,829</b>	<b>7.03%</b>	<b>\$61,484</b>	<b>53.79%</b>