

# Easing the impact of the benefits cliff on families when parents go to work

## Temporary Assistance for Needy Families (TANF) Reinvestment Project

“Benefits cliff” is a term to describe a barrier for low-income families trying to move up the economic ladder. It describes situations where going to work or getting a raise causes a family to backslide.

In benefits cliff scenarios, benefits decrease as earnings increase, and the loss of benefits may partially or completely offset the family’s earnings. For some benefits, there is no phase out and the loss of benefits is abrupt.



From the Women’s Foundation of Colorado

The TANF Reinvestment Project includes three major policy changes designed to lessen the benefit cliff

impact on families. The policy changes will allow families to gradually phase off of the TANF program when parents become employed instead of experiencing a quick cut-off from their monthly cash assistance as soon as they hit the income limit.

These changes in the TANF program are intended to leave families in a more stable position, able to take on more work hours or raises that help their families in the long run.

The following policy changes take effect on April 1, 2016.

### 1. Increased income limit for TANF exit

The income limit for exiting TANF will be raised for employed participants to double the payment standard.

Example: Family of three (1 adult, 2 children)	
Gross monthly income limit before April 1, 2016	Gross monthly income limit after April 1, 2016
\$616	\$1,012
Approx. 16 hours a week at 2015 minimum wage of \$9.25 an hour	Approx. 26 hours a week at 2015 minimum wage of \$9.25 an hour

### 2. Phase out of monthly TANF cash assistance

Families exiting TANF with employment earnings will receive payments for three months during the transition.

Employment payments after April 1, 2016	
Month 1	\$100
Month 2	\$75
Month 3	\$50
Total:	\$225

### 3. Reduced Employment Related Day Care co-payment for three months

Families exiting TANF due to employment will pay the minimum ERDC co-payment for three months during the transition.

ERDC co-payments for families exiting TANF	
Month 1	\$27
Month 2	\$27
Month 3	\$27
Average ERDC parent co-pay is \$223 a month	