BRIEF

Making Work Pay: Ending Benefits Cliffs for Families

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For millions of Americans, public benefits play a critical role in helping make ends meet, but the way these benefits cut off as income rises doesn't make sense for families. No one should be financially worse off for earning more.

- **Benefits cliffs mean families aren't necessarily better off when they're earning more**. A small wage increase can trigger a sudden, steep loss of public benefits, leading to a reduction in overall household resources.
- **When eligibility for multiple programs is cut off at the same time, combined reductions can sharply limit the financial gains from increased earnings at work.**
- **Proven policy solutions can eliminate sudden benefit drop-offs and support upward mobility.** Tools such as Broad-Based Categorical Eligibility (BBCE), adjusted income rules, and better alignment between tax credits and benefits can provide stable off-ramps and support working families.

About one in three people in the United States, or 99.1 million people, participated in at least one of the 10 major public benefits programs in 2019.[1] Many of these programs have a benefit cliff effect, where even modest increases in income can lead to a loss of benefit eligibility.[2] Two things can happen: a complete loss of benefits or a benefits plateau, resulting in a partial loss of benefits.[3] When benefits loss outweighs higher earnings, families can end up with fewer financial resources even after raises or promotions.[4] In a system meant to reward work, families can face a financial setback when their earnings increase.

Benefits Cliffs Penalize Work

The Supplemental Nutrition Assistance Program (SNAP) provides a clear example of how benefits phase outs can impact families' financial resources. On average, about 40 million people use SNAP to afford food.[5] Depending on the state, households must meet gross income limits ranging from 130 to 200 percent of the federal poverty level (FPL), or about $41,795 to $64,300 for a family of four.[6, 7] When a household's earnings rise above the applicable income limit, they can lose access to SNAP benefits entirely. **A wage increase of even a dollar above these income limits would result in a full loss of SNAP benefits.** As a result, a pay raise that should improve a family's financial position can instead reduce their total resources. In some cases, this wage increase and resulting loss of SNAP benefits could mean that a family may have a lower total amount of financial resources (earnings and benefits combined) available to them. This situation illustrates a hard benefits cliff.

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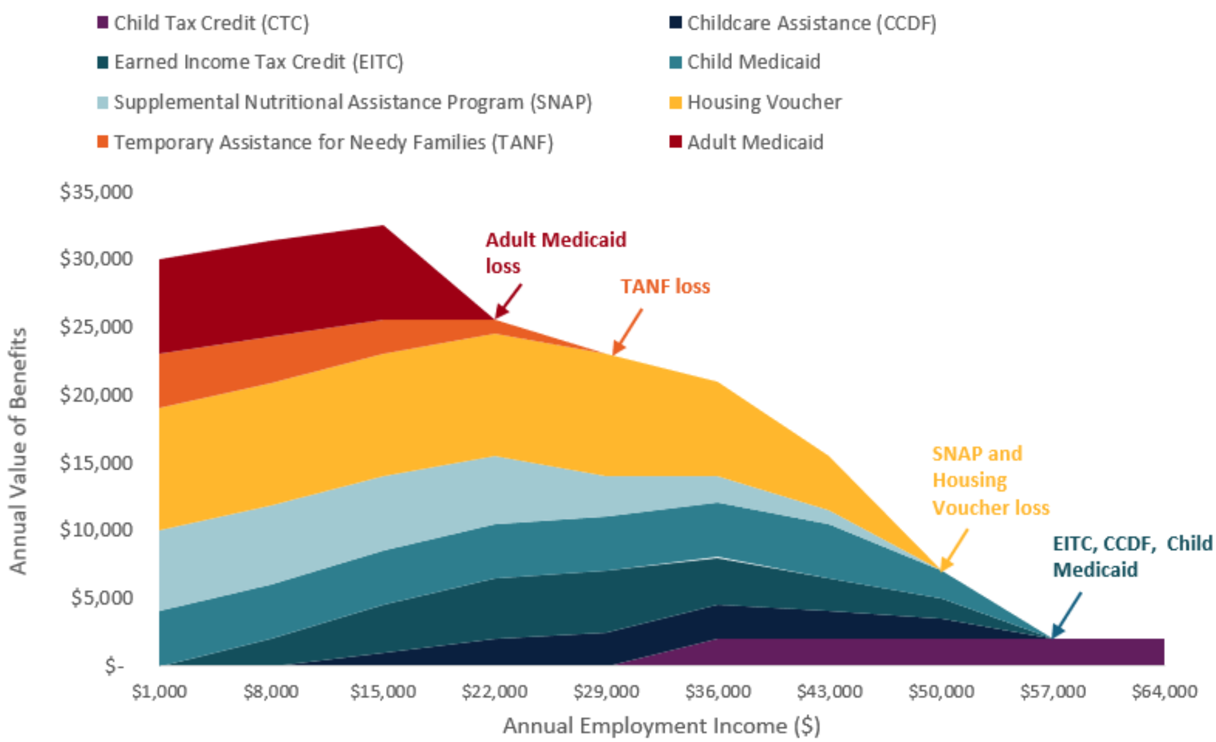
As shown in Figure 1, benefits cliffs rarely occur in isolation, with losses across multiple programs often overlapping and reducing total resources even as earnings rise.[8] For example, a mother in Atlanta, Georgia, has an income of $29,000. At this income, she has already lost both Medicaid and SNAP benefits. Once her income reaches $53,000, her children lose Medicaid, and at $56,000, she loses childcare subsidies from the Child Care and Development Fund.[9] As her earnings increase, she loses eligibility for various supports as her income crosses different eligibility thresholds. Multiple benefits cliffs can penalize work—although her paycheck grows, the family feels little improvement in day-to-day financial stability.

FIGURE 1. Overlapping Benefits Losses Reduce Financial Gains as Earnings Increase

Annual net financial resources by employment income for a single parent with two children in Atlanta, including earnings, public benefits, taxes, and basic expenses



Note: Assumes single parent with two children (ages four and six). Eligibility rules for some government benefits differ for new and continuous enrollees. This chart reflects continuous eligibility rules.

Source: Georgetown Center on Poverty and Inequality, 2026. Adapted from Ruder, Alexander, Julie Siwicki, Ellyn Terry, and Tamilore Toyin-Adelaja. Benefits Cliffs as a Barrier to Career Advancement for Low-Income Adults: Insights from Employment Services Providers. Community & Economic Development Discussion Paper No. 02-20. Atlanta: Federal Reserve Bank of Atlanta, March 2020. Data from Federal Reserve Bank of Atlanta (2020) and The Fiscal Analyzer (Kotlikoff, Auerbach, and Koehler 2019).

Public benefits are designed to support working families experiencing financial hardship while encouraging and rewarding work by gradually phasing out benefits within each program as earnings rise. SNAP uses a phaseout approach by reducing benefits by 24–36 cents for each additional dollar earned. The aim is to ensure working families are better off as their income rises; however, this gradual phaseout ends at a sharp federal eligibility limit of 130 percent of the FPL, creating an eligibility cliff when a family's earnings exceed the threshold.[10,11]

Reaching a benefits cliff like this can affect a family's economic mobility. Consider a family of four that earns $41,500 per year and uses SNAP to help put food on the table. If the mother receives a raise that increases the family's annual income to $42,200, the family will lose their SNAP benefits. For only $700 more a year, or about $58/month increase in gross income, the family would lose up to $241/month in SNAP benefits, or $2,900/per year.[12] In effect, the raise leaves the family with fewer total resources than before (see Figure 2).

FIGURE 2: A Small Increase in Earnings Can Reduce Families' Resources Due to the SNAP Benefits Cliff

Illustrative example of annual earnings, SNAP benefits, and total resources for a family of four before and after a modest increase in income

Scenario	Annual earnings (gross)	SNAP benefits/year	Total	Net change
Before raise	$41,500	$3,600	$45,100	Baseline
After $700 raise	$42,200	$0	$42,200	-$2,900

Note: Illustrative example based on federal SNAP income eligibility thresholds for a family of four. Actual benefit amounts and eligibility vary depending on household deductions and state policy choices.

Source: Author's calculations using U.S. Department of Agriculture, Supplemental Nutrition Assistance Program (SNAP) Eligibility, 2025. Available at https://www.fns.usda.gov/snap/recipient/eligibility.

An increase in earnings being offset by a decrease in public benefits was a concern for Kathleen S: "There is this fear when you think of how everything you are doing is working. The bills are covered. When I got to that point, I thought maybe I should get a full-time job so that I could provide better for my kids. I had to look at what would happen if I got hired at a certain amount and what my budget would look like. Would it work out? I had to weigh the risk of getting a full-time job."[13]

Without stable off-ramps from benefits assistance, families stay at wage and income levels that are below their earning potential. This benefit cliff limits a family's ability to achieve financial security as they earn and work more.[14] Benefits cliffs can keep hardworking families economically insecure even as they work more and earn higher wages.

Broad-Based Categorical Eligibility Helps Ease the Benefit Cliff in SNAP

One policy within SNAP that has proven effective in incentivizing work by helping reduce benefit drop-offs is BBCE, which allows states to adopt higher income eligibility limits than the federal standard threshold. BBCE reduces the SNAP benefit cliff by giving states flexibility to extend SNAP eligibility above the default income limit of 130 percent FPL, enabling families to remain eligible for SNAP while benefits phase out gradually.[15] This policy benefits working families with high living expenses who earn just below the SNAP income limit.[16] By raising the income level at which benefits end, BBCE reduces the risk that a family's increased earnings trigger a sudden loss of food assistance and upend their budgets. By extending eligibility and shifting from abrupt cutoffs to predictable step-downs, BBCE better aligns public benefits with the goal of supporting work and upward mobility.

As of 2025, 46 states and territories use BBCE,[17] raising income limits above the 130 percent federal cutoff up to 200 percent FPL, making it the primary policy tool states use to reduce the SNAP benefit cliff.[18] In states with BBCE, the average household participating in SNAP received $100 per month in benefits, and 90% of the benefits go to working families with children.[19] Additionally, 90% of benefits go to households whose rent/mortgage exceeds 50% of their net income.[20] This evidence shows that BBCE largely serves working families with high fixed costs where the sudden loss of these benefits can meaningfully undermine financial stability.

Policy Options Can Address Benefits Cliffs & Support Economic Mobility

Benefits cliffs are not inevitable and can be reduced through policies that eliminate sudden benefit drop-offs and adjust income eligibility. States and researchers have proposed a range of practical approaches to achieve this. These options focus on restoring a clear link between increased earnings and improved financial well-being, and give federal policymakers a variety of solutions to reduce benefits cliffs.

ADJUST BENEFIT REDUCTION RATES

Benefits cliffs can be reduced by adjusting asset limits and not counting some income towards eligibility limits so families are not penalized for short-term earnings increases.[21] For example, Massachusetts raised the cash asset limit for its Temporary Assistance for Needy Families (TANF) program from $2,000 to $5,000 per household. Additionally, once a family qualifies for TANF in Massachusetts, they enter a six-month grace period wherein they maintain program eligibility even if their assets exceed standard income limits, so long as they remain below 200 percent of the FPL. Temporarily excluding these earnings from eligibility determinations reduces the abruptness of transitions to work and sustains families when emergencies occur.[22,23]

Programs other than SNAP could adopt policies similar to BBCE to prevent abrupt cutoffs to predictable step-downs for benefits. BBCE offers an important safeguard for working families who may experience a benefit cliff as their earnings increase.[24] BBCE allows states to raise income limits for SNAP up to 200% of the FPL, which prevents abrupt benefit loss. Without BBCE for SNAP, a small wage increase could eliminate SNAP benefits for a family entirely. However, with BBCE, the same family would have benefits reduced rather than fully lost.[25]

BETTER ALIGN POLICIES TO SUPPORT THE TRANSITION OFF PUBLIC BENEFITS

Benefits cliffs often occur when families lose monthly assistance before tax credits fully make up the difference. Aligning tax policy with public benefits such as allowing partial advance payments of the Earned Income Tax Credit—a tax credit that helps low- to moderate-income workers and families get a tax break—can help bridge these gaps and help make work pay.[26, 27]

Another example of how existing programs work together to ease family transitions off public benefits is that under existing law, states have the option to temporarily offer SNAP to families that are no longer receiving cash assistance such as TANF.[28]

PROMOTE CAREER PATHWAYS AND EMPLOYER ENGAGEMENT

Connecting workforce development to public benefits transitions is essential to support working families. One way to do this is by excluding income earned through publicly-funded training programs from public benefits eligibility determinations.[29] This is the issue Tonya B.: "Right now, I'm going back to school. I didn't finish school when I had my first son. So I'm currently [working on my high school equivalence]. Just giving me resources to push me further so I don't have to just look on my own [for those training and career opportunities] would be a huge help."[30]

ENCOURAGE THE ADOPTION OF AN EVIDENCE-BASED COACHING APPROACH & PROVIDE BENEFITS COUNSELING

Integrating coaching and benefits counseling within programs can help participants understand how changes in earnings affect their benefits and plan accordingly.[31] Benefits cliff calculators are a tool that can help families and caseworkers anticipate changes in benefits eligibility, reducing uncertainty around advancement decisions.[32]

Conclusion

For families whose rent, child care, and food costs consume most of their income, the ways that benefits phase out is not abstract policy—it is part of everyday financial planning. By creating clear, understandable step-downs in benefits, policymakers can help families translate increased earnings into increased financial security.

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