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What Is 300 Percent of the Poverty Level?

SCHIP Program May Expand to Middle-Income Households

Fiscal Fact No. 91

by Gerald Prante

As Congress debates renewal of funding for the State Children's Health Insurance Program (SCHIP), many senators and representatives favor expanding the SCHIP program up the income scale, far above the original targets: low-income households with children who don't quite qualify for Medicaid.

Some states are already awarding SCHIP benefits to childless adults and to families with incomes well above the national median. Gov. Spitzer in New York has even proposed that the program there purchase health insurance for families that earn 400 percent of the poverty level, over \$82,000 for a family of four.

The median household income in America was approximately \$46,000 in 2005.

A more common threshold that many politicians are pushing is 300 percent of the poverty threshold, as defined by the Department of Health and Human Services (HHS). (See Table 1.) Even this level will essentially convert a program for low-income people into a program for middle-income people, possibly undermining public support for the program.

Table 1
For Many Households, 300 Percent of Poverty Level Is Above America's Median Income

Number of Individuals in Household	300 Percent of Poverty Threshold
1	\$30,630
2	\$41,070
3	\$51,510
4	\$61,950
5	\$72,390
6	\$82,830
7	\$93,270
8	\$103,710

Source: Department of Health and Human Services, Poverty Guidelines for 2007, <http://aspe.hhs.gov/poverty/07poverty.shtml>

What Is Income?

Income can be measured many ways, and the definition that HHS uses is called "money income," a rather narrow income measure. It does not include many large government benefits such as the Earned Income Tax Credit or the value of food stamps. Ironically, then, these long-established poverty relief programs are not counted as officially reducing poverty for the purposes of SCHIP.

Nor does "money income" include capital gains income, which starts to become relevant the higher the income threshold goes. For a detailed discussion of how different income measures can affect poverty status, see the Census Bureau's "[The Effects of Government Taxes and Transfers on Income and Poverty](#)." (However, the Census Bureau's definition of poverty-level earnings is slightly different from HHS's, and the SCHIP program uses the HHS definition.)

Table 2 below breaks down the population, both adults and children, into income ranges in terms of the poverty level.

Table 2
Nearly Half of All Americans Live Within 300 Percent of Poverty Level

Ratio of Money Income to HHS Poverty Threshold	Percent of Total Population	Percent of Under-18 Population
0 to 49 %	6.4 %	10.2%
50 to 99 %	7.5 %	10.3%
100 - 149 %	9.2 %	10.7%
150 - 200 %	9.2 %	10.3%
200 - 299 %	16.7 %	17.2%
300 - 399 %	13.9 %	13.3%
400 - 499 %	10.3 %	9.1%
500 + %	26.9 %	18.9%

Source: 2006 Current Population Survey (March Supplement), U.S. Department of Commerce, Bureau of the Census

The first five rows of the table are all households that earn less than 300 percent of the poverty level. That includes nearly 50 percent of Americans and almost 60 percent of children.

The number of people below this threshold is so large because the poverty line takes into account the number of individuals residing in the home. Therefore, a family of four making \$60,000 is earning well over the economy-wide median household income, but it would qualify for SCHIP by earning less than three times the poverty level for a family that size.

This evidence also suggests that expanding SCHIP to higher income levels would make the system overall less progressive. Therefore, raising cigarette taxes to pay for massive SCHIP expansion could be much less advantageous to the poor than its proponents claim.

The better way to fund SCHIP, at any level, would be a broad-based tax like the federal income tax, not a narrowly targeted tax on the poor like the federal cigarette tax. Then policymakers should evaluate the trade-offs present in the entire healthcare debate—the benefits of greater and more equal healthcare access provided by government versus the costs of fewer incentives in the private marketplace and higher taxes.

Conclusion

As SCHIP expansion continues to be an issue and legislators discuss ways to pay for it, the public and policymakers need to understand the facts regarding exactly who the program is targeting, both for benefits and taxes. Targeted fiscal policy (either on the spending side or tax side) is unfortunately often subject to "fact abuse" by those with an agenda on both sides of an issue. We see this most often with regard to "middle-class tax relief" rhetoric, most recently on the issue of the Alternative Minimum Tax (AMT). Now it has entered the SCHIP debate where truly middle-class households could be eligible for a program whose purpose is to help uninsured poor children.

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