MEMORANDUM

To:	Social Security Advisory Board
Subject:	Supplemental Security Income (SSI) Asset Limit
Date:	May 19, 2015

At the April board meeting a board member requested the legislative history of the Supplemental Security (SSI) asset limit. This memo provides an overview of the SSI asset limit, legislative history, and policy debate.

Introduction

The Supplemental Security Income (SSI) program, authorized by Title XVI of the Social Security Act, is a means-tested income assistance program financed from general tax revenues and administered by the Social Security Administration (SSA). Under SSI, individuals that meet SSA's definition of disability or have attained age 65 and have low incomes and limited resources are eligible for a modest cash benefit regardless of their work histories. In January 2015, more than 8.3 million individuals received average monthly payments of $541.46. The maximum allowable monthly payment is $733 for an individual and $1,100 for a couple.

SSI asset limit

As a means tested program, SSI places a limit on the assets or resources of its recipients. Resources are defined by regulation as "cash or other liquid assets or any real or personal property that an individual (or spouse, if any) owns and could convert to cash to be used for his or her support and maintenance."[1] The countable resource limit for SSI eligibility is $2,000 for individuals and $3,000 for couples. These limits are set by law, are not indexed for inflation, and have been at their current levels since 1989. Unlike the asset limit, SSI benefit amounts are adjusted for inflation.

Excluded resources

Not all resources are counted for determining SSI eligibility. Excluded resources include an individual's home, a car used for essential transportation (or, if not essential, up to $4,500 of its current value), property essential to income-producing activity, household goods; personal effects totaling $2,000 or less; life insurance policies with a combined face value of $1,500 or less; and certain accounts exempt from benefit determinations (discussed in the next section).

Asset limit legislation

Congress created SSI in 1972 to replace the patchwork system of federal grants to states for aid to the poor who are nearing retirement age or meet SSA's definition of disability. At the time,

[1] 20 C.F.R. §416.1201

Congress set the cash asset limit at $1,500 for and individual and $2,250 for a couple. Since 1972, Congress has passed legislation increasing the asset limit one time. In 1984, as part of the Deficit Reduction Act of 1984, Congress phased in an increase to the asset limit. From 1985-1989, the asset limit increased $100 a year for individuals and $150 a year for couples. In 1989, the asset limit reached its current level of $2,000 for an individual and $3,000 for a couple.

Asset limits in 1972		
	1972 dollars	2015 dollars
Individual	$1,500	$8,423
Couple	$2,250	$12,635

Asset limits in 1989		
	1972 dollars	2015 dollars
Individual	$2,000	$3,786
Couple	$3,000	$5,679

While the asset limit has not changed since 1989, Congress has made changes regarding what is considered and countable as an asset or resource when determining SSI eligibility, including the following provisions:

- An effective change to the asset limit through “deeming” of household assets was included in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Public Law 104-193). While welfare reform did not alter the asset limit, it applied different deeming rules to immigrants in certain cases. The income and resources of an immigrant’s sponsor in the U.S. became part of the SSI eligibility determination.

- As above, the Foster Care Independence Act of 1999 (Public Law 106-169) included an indirect change that had the effect of altering the asset limit for SSI. Irrevocable trusts, previously excluded from asset calculation became countable as assets under SSI, although the statute did allow for the Commissioner to regulate a waiver authority. The same statute established penalties when assets are sold off for less than fair market value as part of an individual’s “spend down” to become eligible for SSI.

- The Economic Growth and Tax Reconciliation Act of 2001 (Public Law 107-73) gradually increased the child tax credit amounts and made it refundable for low-income workers. Finally, the credit is excluded from income or resources limits in SSI, and is also excluded as part of resources in the month of receipt and the following month.

- The Social Security Protection Act of 2003 (Public Law 108-203) extended from 6 to 9 months the length of time that an SSI underpayment could be excluded from SSI resource limits.

- The Heroes Earnings Assistance and Relief Tax Act of 2008 (Public Law 110-245) allowed the treatment of cash remuneration paid to a member of the uniformed services as earned income and certain housing payments to such members as in-kind support and maintenance for SSI program purposes. The law additionally excluded state annuity payments to blind, disabled, or aged veterans for purposes of SSI benefit determinations and excluded any cash or in-kind benefit paid to an AmeriCorps participant from SSI income eligibility requirements.

- The Improving Access to Clinical Trials Act of 2009 (Public Law 111-255) allowed the asset exclusion of up to $2000 per year for clinical trial compensation.

- Perhaps one of the most sweeping protections of assets from SSI limits was the passage of the Achieving a Better Life Experience (ABLE) Act of 2014 (Public Law 113-295) which amends the Internal Revenue Code to establish tax-exempt account to assist individuals with disability(s) in building an account to pay for benefits. ABLE accounts are a subsection within Section 529 of the internal revenue code, which addresses Education Savings Plan. The annual contribution limit is $14,000 with an asset limit of $100,000. An ABLE account is meant to only fund qualified disability expenses such as, education, housing, transportation, employment training & support, assistive technology & personal support services, health, prevention & wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses.

Members of Congress have offered legislation to raise the asset limit, but these bills have not become law. One example is the SSI Savers Act of 2011 – a Bipartisan bill which would (1) increase resource limits for aged, blind, or disabled individuals who do not have an eligible spouse; (2) requires an inflation adjustment for such individuals, regardless of whether a spouse is eligible; (3) provides a limited exclusion from resources of certain deferred compensation and education savings arrangements; (4) sets forth income rules imputing income from certain deferred compensation arrangements; and (5) eliminates the requirement that SSI recipients apply for periodic payments from certain deferred compensation arrangements.
(see http://thomas.loc.gov/cgi-bin/bdquery/z?d112:HR02103:@@@P)

In addition, the Bipartisan Policy Center endorsed raising asset limits:
(see http://bipartisanpolicy.org/blog/barriers-to-savings-asset-tests/)

Policy debate

Advocates for raising the asset limit argue that raising the asset limit will allow recipients to save for emergencies and reduce hardship:

> "SSI's stingy asset limit keeps its recipients from saving for contingencies, such as fixing the roof or repairing the car. Moreover, SSI counts the entire value of 401(k) and other retirement accounts as assets -- even though those savings are meant to last for a lifetime, not consumed all at once." – Center for Budget and Policy Priorities, 2013
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> "Savings can dramatically reduce material hardship. For many low-income families, even a small amount of savings—less than $2,000—can protect against eviction, missed meals, or having utilities shut off during a financial setback. Having a slightly larger cushion—between $2,000 and $10,000—has an even broader effect. The presence of savings and assets may also reduce the length of time families need public assistance." – Center for American Progress, 2014

Drawbacks of raising the asset limit include cost and possible work disincentives. Increasing the asset limit would mean that more people would qualify for benefits and reduce the monetary benefits of working. Interestingly, the Heritage Foundation recently declared the ABLE Act a major expansion of the welfare state, largely because of the interaction of the accounts with SSI eligibility.[2] Despite the fact that asset limits have not risen, it appears the practical effect of exclusions from the limits may give some policy experts pause.

[2] http://www.heritage.org/research/reports/2014/11/how-the-able-act-would-expand-the-welfare-state