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Michigan Should Eliminate Its Asset Limit for Food Assistance

What is the food assistance asset limit and why is it a problem?

Families who experience financial difficulty due to unemployment or a medical emergency often seek assistance from the Supplemental Nutrition Assistance Program (SNAP; formerly known as Food Stamps) for purchasing food. This assistance can help keep their household stable, including keeping food on the table for children, until the family can get back on its feet. Many seniors and people with disabilities also depend on SNAP to keep from going hungry.

Unfortunately, in some states including Michigan, there is a limit to how much a family can have in assets in order to be eligible for SNAP. This is commonly referred to as the "asset test." Assets are resources available to purchase food, such as bank savings. Houses, personal property and retirement savings do not count as assets, although automobiles do. Michigan's asset limit is $5,000, which means that if a Michigan family has more than $5,000 saved in a bank account or a savings plan, it must spend down its savings to below that level in order to qualify for food assistance. This policy essentially punishes families for saving for emergencies and for their children's futures.

There is a federal asset limit for SNAP, but in 2002 the federal government gave each state the option to raise its asset limit or eliminate it entirely. Recognizing that the SNAP asset limit is counterproductive, 34 states and the District of Columbia have eliminated it. Michigan was one of the first states to eliminate the asset limit, but reinstated it in 2012, a time when many Michigan families were still struggling to make ends meet.

Is it unfair for Michigan to impose a SNAP asset limit when so many other states have eliminated theirs?

Yes. Michigan suffered more than most other states during the 2000s, including four years when it had the highest unemployment rate in the nation, and although its economy has improved to some degree, many families continue to struggle.

Families who have saved up money to weather future economic storms or to invest in their children's future should not have to spend down all but $5,000 of their savings if they need to receive temporary help from SNAP. By requiring this, Michigan is punishing prudence and long-term thinking. Because SNAP functions for most households as a temporary stopgap (58% of new recipients leave the program within one year), it makes sense to allow families to retain their savings as they get back on their feet.

Why and how did Michigan reinstate the asset limit?

In 2012, media publicity around a lottery winner continuing to receive food assistance while collecting winnings prompted the Michigan Legislature to pass Public Act 79, which states simply, "For the purposes of determining financial eligibility for the Family Independence Program or the Food Assistance Program administered under this act, the department shall apply an asset test." That year, Michigan also passed Public Act 8, which requires that the Michigan Lottery inform the Department of Health and Human Services (DHHS) of lottery winnings of over $1,000, and that lottery and other gambling winnings be counted as unearned income (if received in installments) or as assets (if received in a lump sum) for determining continuing eligibility for SNAP benefits. The Department of Human Services (now the Department of Health and Human Services) responded by establishing an asset limit of $5,000.

What can Michigan do to make it easier for struggling families with some savings to receive food assistance?

Current law requires Michigan to have a SNAP asset limit but does not stipulate a specific amount; that is left up to DHHS to determine. The department can raise or lower the limit but cannot eliminate it under current law. Likewise, if the current law requiring an asset limit is eliminated, the department can still choose to impose an asset limit.

Because it would require only a departmental and not a legislative change, the easiest way to allow families to save more money while they are receiving SNAP benefits is to raise the limit rather than eliminate it entirely. Nebraska has an asset limit of $25,000, five times the amount of Michigan's limit, allowing families to build savings while receiving assistance.

Michigan can also join the 34 states and District of Columbia in eliminating the asset limit entirely. This would require a legislative change to eliminate the requirement to impose an asset test, followed by a departmental action to remove the asset limit itself. If the Legislature wants to keep the restriction on lottery winnings, it would need to modify that wording accordingly.

SNAP Asset Limits, by State

States (and D.C.) with No SNAP Asset Limit	
Alabama	Nevada
Arizona	New Hampshire
California	New Jersey
Colorado	New Mexico
Connecticut	New York
Delaware	North Carolina
District of Columbia	North Dakota
Florida	Ohio
Georgia	Oklahoma
Hawaii	Oregon
Illinois	Pennsylvania
Iowa	Rhode Island
Kentucky	South Carolina
Maryland	Vermont
Massachusetts	Washington
Minnesota	West Virginia
Mississippi	Wisconsin
Montana	

States with Asset Limits Higher than the Federal Limit	
Idaho	$5,000
Maine	$5,000
Michigan	$5,000 and first vehicle; counts other vehicles over $15,000
Nebraska	$25,000 in liquid assets; excludes illiquid assets
Texas	$5,000 and one vehicle up to $15,000

States Retaining Federal Asset Limit of $2,250 ($3,250 elderly or disabled)	
Alaska	South Dakota
Arkansas	Tennessee
Indiana	Utah
Kansas	Virginia
Louisiana	Wyoming
Missouri	

Source: Corporation for Enterprise Development (CFED), 2016