

Punished for Progress: How Benefit Cliffs Hold Families Back

Anne Kuhnen, Kids Count Policy Director
Michigan League for Public Policy | November 2026

What is a Benefit Cliff?

A benefit cliff exists when a public assistance program has a hard income cut-off preventing economic mobility for working families. Most benefit cliffs exist for programs that provide in-kind benefits, such as food, healthcare, and childcare, although there are exceptions. Some policymakers and researchers worry the threat or fear of hitting a benefit cliff undermines efforts to grow the workforce and encourage economic self-sufficiency.

There is not one single cliff. Where the cliff occurs depends on the family size, income and program. **For the programs below, if a family's earnings exceed the income eligibility level by just one dollar, they will lose access to the program.**

Public Assistance Programs With Dropoffs

Michigan Women, Infants and Children (WIC)

Michiganders who are pregnant, postpartum or breastfeeding as well as those in households with children under 5 can qualify for WIC if their household income does not exceed 185% of the federal poverty level. Benefit levels cover specific food packages based on the beneficiary's age and medical status.

Where's the Cliff?

$4,212
per month for a family of three.

Child Development and Care (CDC)

Families meeting work requirements and earning up to 200% of the federal poverty level at initial application are eligible for a childcare scholarship through Michigan's CDC. A family remains eligible — with a family contribution of up to $186 per pay period — as long as they remain below 80% of the state median income.

$6,964
per month for a family of three.

Healthy Kids & MIChild

Children in a household below 160% of the federal poverty level are eligible for Michigan's Healthy Kids program. MIChild has a slightly higher income limit — 217% of the federal poverty level — ensuring children continue to have low-cost health coverage even if their families earn too much to qualify for traditional Medicaid.

$4,940
per month for a family of three.

Family Independence Program (FIP)

FIP, Michigan's cash assistance program funded through Temporary Assistance for Needy Families (TANF), phases out as a family earns a higher income. However, the recent addition of the young child supplement and the annual clothing allowance introduced a cliff, as families either receive the full young child supplement or none at all.

$1,365
per month for a family of three.

Tax Credit With a Dropoff

Where's the Cliff?

Michigan Home Heating Credit

Michigan's Home Heating Credit allows households with incomes below 110% of the federal poverty level to receive a credit to help cover winter heating bills on their annual income tax return.

$29,330
annually for a family of three.

Good Policy Design Can Avoid a Benefit Cliff

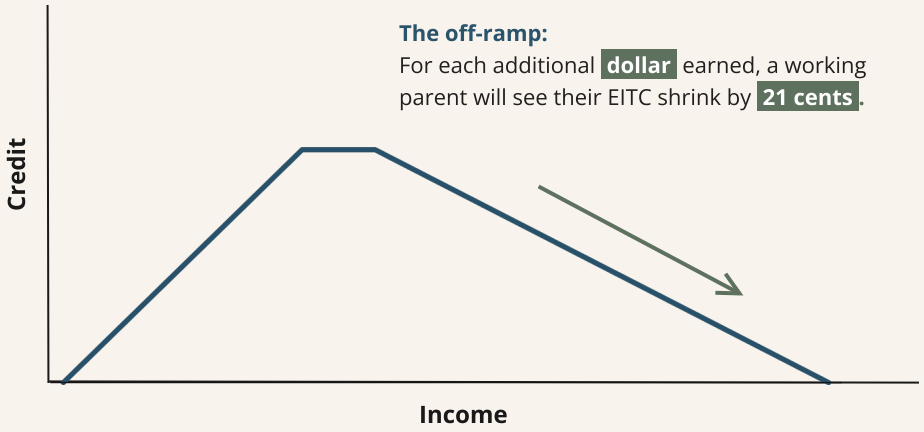
The most effective policy design to avoid a benefit cliff is with a structured phase-out. A phase-out ensures families see only small benefits reductions as their earnings rise, whether through increased pay or increased work hours. If a benefit cliff cannot be avoided, transitional assistance programs, like Our Chance TN, may help bridge the gap.

Programs With Off-Ramps, Not Cliffs

Earned Income Tax Credit (EITC)

The federal EITC has both a phase-in and phase-out, with maximum credits ranging from $664 for workers with no children to $8,231 for workers with three or more children.

Michigan also has a state EITC, which aligns with federal eligibility rules and provides an additional 30% to families on top of their federal credit.

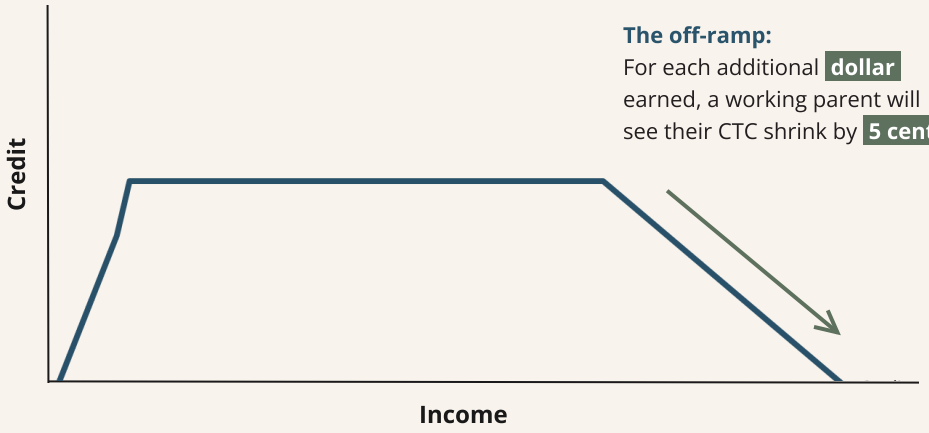


The off-ramp:
For each additional **dollar** earned, a working parent will see their EITC shrink by **21 cents**.

Child Tax Credit (CTC)

Families must earn at least $2,500 and can claim a partially refundable CTC of up to $2,200 per child under age 17.

The credit begins to phase out when a family reaches an income of $200,000 for single parents ($400,000 for married couples).

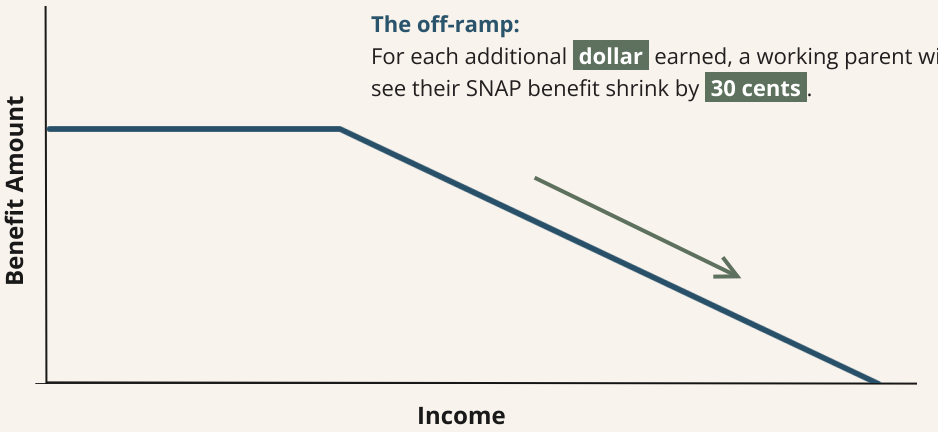


The off-ramp:
For each additional **dollar** earned, a working parent will see their CTC shrink by **5 cents**.

Supplemental Nutrition Assistance Program (SNAP)

SNAP's broad-based categorical eligibility (BBCE) policy, which Michigan and 45 other states have adopted, eliminates the benefit cliff by phasing down assistance gradually.

In fiscal year 2023, approximately 245,000 Michiganders received SNAP benefits thanks to the adoption of BBCE.



The off-ramp:
For each additional **dollar** earned, a working parent will see their SNAP benefit shrink by **30 cents**.

Michigan League for Public Policy

Michigan League for Public Policy | info@mlpp.org | www.mlpp.org | 101 S. Washington Sq., Suite 820 Lansing, MI 48933