

Key Comparisons in Proposed Cash Transfer Legislation

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Democratic and Republican legislators this week have proposed several emergency cash transfer programs to provide relief amid the economic strain caused by COVID-19. This brief underscores the key differences among the new proposals, and how they compare to the best existing evidence on cash transfers.

From the “Mincome” experiments of [the 70s](#), to the Alaska Permanent [Dividend](#), the [ETC](#), GiveDirectly’s unconditional cash [transfers](#) in Kenya, and one of the [largest](#) basic income policy implementations in the world in Maricá, Brazil, JFI researchers have assessed the impacts of cash transfer policies worldwide and the case for a basic income.

Empirical evidence shows that:

- There is [little evidence](#) that cash transfers decrease the motivation to work.
- Cash transfers [do not](#) lead to spending on “temptation goods.”
- Cash transfers [reduce](#) inequality, and have had multiple [positive impacts](#) on [recipients’](#) welfare, alongside positive [spillover effects](#) for [non-recipients](#).

Based on our research, the answers to these key questions will determine the effectiveness of proposed legislation:

- **Does the cash transfer forego a means test?** Means testing of existing welfare benefits has obstructed the efficient disbursement of funds or other benefits, and [overburdens](#) the most vulnerable with [circuitous](#) qualification tests that hinder their ability to receive immediate emergency funds even if they ought to qualify. Policymakers who are worried about the distributive outcomes of a universal benefit should recoup expenditures ex-post through the tax code, rather than requiring paperwork which may deter the neediest recipients up front.
- **Is the cash transfer large enough?** Policymakers may intuitively want to tie the disbursement amount to federal poverty estimates. Though the Supplemental Poverty Measure developed by the Obama administration in 2011 exhibits significant improvements from the Official Poverty Measurement which preceded it, the measurement [excludes](#) some expenses rendered critical by the COVID-19 crisis. Notably, the cost of healthcare and childcare are deducted from a benefit recipient’s income, rather than being calculated into the essential “bundle of goods” constituting the baseline measure. Given that [expected costs](#) associated with contracting the coronavirus are [not covered](#) by the most recent legislation eliminating co-pays for COVID-19 testing for many insurers, policymakers should be conscious of the limitations of the SPM as a guideline for disbursement size. While empirical evidence on the optimal size of transfer is scarce, a [comparison](#) between a

\$1000 and \$500 monthly transfer finds the positive macroeconomic effects to be greatest as a result of the highest transfer.

- **How long should the cash transfer be disbursed?** Both the public health emergency and the economic downturn may last for months to come. Studies [suggest](#) that cash transfers [offer](#) the greatest benefits when administered on a consistent basis over longer periods of time. Existing precarity and gaps in the social safety net are a sufficient basis for unconditional cash transfer policies even without the added urgency of this historic pandemic. Responsive cash transfer policies should extend as long as possible to give income stability to individuals and to the economy. Any pandemic-specific legislation should include stipulations to renew cash transfers as the economic crisis continues, or in the event of another downturn.
- **What safety net programs should accompany the cash transfer?** Cash transfers work best when administered alongside existing social safety net programs. In fact, absent other protections, cash transfers have been shown to [increase](#) inequality if implemented as a replacement for existing welfare benefits. Proposals to expand state-level [SNAP](#) benefits and [Medicaid](#) funds serve separate, important functions alongside a cash transfer policy to mitigate the dramatic economic impact of the COVID-19 pandemic on working and middle class people.
- **Is the disbursement mechanism efficient?** Congress lacks an all-inclusive mechanism to immediately disburse funds to all Americans. The most expansive proposals, such as those of Waters, Tlaib and Khanna, suggest utilizing the existing capacity of either the Federal Reserve Bank, or the social security administration, unemployment agencies, and electronic benefit transfer (EBT) card administration. Payroll taxes and tax rebates proved an inefficient mechanism when implemented during the 2008 crisis, taking up two months to administer. As large-scale layoffs leave more people jobless in the continued pandemic, many families need assistance immediately.
- **Does the bill include children?** Parents are especially vulnerable to both economic downturn and health risks. Bills that fail to include added stipulations for adults with children will not meet the urgent needs of families in the current COVID-19 pandemic. Research suggests that cash transfer programs have the greatest impacts for children in low-income families, including [positive impacts](#) on educational outcomes, greater parental investment, and improved health outcomes. Because the existing Child Tax Credit is means-tested and not fully refundable, the poorest families and often the youngest children are [excluded](#) if an unconditional cash benefit including a child allowance is not implemented.

The chart below compares existing proposals based on the above key issues and questions.

	Means Testing	Amount	Targeting/ Exclusions	Mechanism	Concurrent Welfare Policy
Ideal Stipulations	Means testing benefits is a major factor in low take-up rates for welfare policies in several major countries, and across various programs. Means testing is often used to ensure that benefits incentivize work, but can also punish those most hurt in an economic decline. An emergency cash bill should forego a means test in order to reach the most people in need of help.	While empirical evidence on the optimal size of transfer is scarce, a comparison between a \$1000 and \$500 monthly transfer finds the positive macroeconomic effects to be greatest as a result of the highest transfer —during normal circumstances. This amount should be renewable by the government if unemployment continues to increase & emergency assistance is needed.	Some have proposed only covering those who have confirmed cases, only those with children who are out of school, only adults with children, or otherwise. To avoid exclusionary and irrational pitfalls of existing welfare policies and the EITC, the program should not exclude anyone. Phase outs save little money and phase ins exclude the most needy; progressive taxes may recoup the benefit later, if needed.	Our research suggests that the most efficient and effective option of disbursement can be through the Federal Reserve Bank , administered by debit card or digital currency accounts backed by Federal Reserve liability. However, many proposals will likely incorporate existing infrastructures of the Social Security Administration, IRS tax returns, and direct transfers to economic benefit transfer (EBT) cards for those receiving unemployment insurance or SNAP benefits. The latter can also be effective if it enables non-filers to receive immediate cash transfers as well.	Cash is not a substitute for health insurance, food benefits, rent stabilization, housing support, paid childcare, debt relief, etc. This column takes into account the current crisis, not necessarily the best practice for long term welfare programming alongside cash transfers. The pandemic necessitates additional support for SNAP or Medicaid benefits, among others , alongside an immediate cash transfer.
McConnell/Sc humer Negotiated Bill - " CARES Act " Version 3	- Means testing for higher income individuals above \$75k for singles, \$150k for couples	+ \$1200/adult, \$500/child for those making < \$75k, or < \$150k for couples - Non-renewable	+ Targets low and middle-income tax filers. - Non-resident immigrants, even with Tax-ID number, are ineligible - Incorporates "phase-out" for higher income individuals making up to \$99,999 per year.	- Utilizes IRS 2018 or 2019 return information, direct deposit for those with an account on file, for 70 million without, disbursement may take up to 4 months. For non-filers, forms SSA-1099 or RRB-1099 must be submitted to the Social Security Administration. - Does not include existing infrastructure of SNAP, EBT.	+ \$600 increase in unemployment insurance benefits for 4 months for those impacted by COVID-19 + \$500 billion in loans for distressed companies + \$130 billion for hospitals + \$150 billion for state/local governments
Khanna, Ryan Bill - " Emergency Money to the People Act "	- Means testing for higher-income individuals	+ \$1,000 to all American adults, plus \$500 per child, renewable for the next six months + Possibility to renew this amount for an additional 6 mo. if crisis continues	+ Targets every American adult making < \$130k annually - Incorporates a "phase-out" of disbursement amounts for incomes up to \$140k annually, potentially excluding those who recently lost their jobs	+ Utilizes IRS 2019 tax return information to disburse similar to the EITC, with those earning \$0 or who are unemployed still eligible via a 1040 filing by mail or online	+ None of these payments will count against eligibility for other welfare benefits, and separate proposals are meant to address potential expansions to those programs

Hawley Bill - “Emergency Family Relief Act of 2020”	- Phases out the benefit for those earning above \$100k, reducing by \$50 for every \$1k above \$100k. This clause could hurt the recently jobless and those in higher-cost localities	- \$1288 per 2-person household (\$644 per married adult), with additional \$158 to \$420 for additional household members, up to \$50k in the year	- Must indicate economic distress due to school closure or coronavirus	- Using IRS data from 2018 and 2019, the Secretary of the Treasury will administer an expedited application and approval, and IRS disbursement. 2018 returns are prone to major error	+ None of the payments will count against eligibility for other welfare benefits, and separate proposals are meant to address potential expansions to those programs
Romney Bill - “Call for Urgent Action”	+ No means testing	+ \$1,000 to all American adults, one-time	+ Untargeted, as a result all adults get the benefit, regardless of income, including the wealthy - Only citizens may receive this support	- Unspecified, but likely via tax rebate through the IRS, given a reference to the 2008 crisis disbursements	- Limited; the one-time cash transfer is meant to be separate from later SNAP, paid leave, etc. + Require insurance plans to cover telehealth temporarily + Loan deferment for recent grads + Enable pell grants for those impacted by COVID-19
Cotton Bill - “Coronavirus Response Plan”	- Temporarily waves work requirement for expanded TANF support—this stipulation is positive but should be permanent rather than temporary	- \$1,000 to all American adults making < \$100k, \$500 for each claimed dependent, this phase-out for higher incomes will hinder efficient disbursement	- Eligibility is based in part on if a family’s income has been reduced due to COVID-19, leaving a burden of proof on families	- Tax rebates; this took two months to disburse in 2008 + Expand TANF eligibility temporarily to those who made < ~\$51K last year (400% of Federal Poverty Line, FPL) - Provides block grants to expand TANF and Unemployment Insurance (UI), an inefficient and failed mechanism	+ Existing tax liability will not count against a full rebate check (i.e. cash disbursement)
Means Testing	Amount	Targeting/ Exclusions	Mechanism	Concurrent Welfare Policy	Means Testing
Booker, Brown & Bennet Bill - “Families First Coronavirus Response Act”	- Phases out the benefit for higher-income individuals, with a rate of 5% of the aggregate credit	+ \$2,000 to all American adults and children + Additional payments of \$1,000 to \$1,500 for the duration of the public health emergency or benchmarked to 0.5-1 percentage point increase in unemployment	- Workers who file for Tax Year 2019 and non-filers who submit a 1040 separately	+ Uses existing infrastructure of the IRS from 2019 tax filings, alongside Social Security Administration, Veterans Administration, and Economic Benefit Transfers (EBT), with option to submit a form 1040 if tax filings have not been completed for 2019	+ Existing tax liability will not count against a full rebate check (i.e. cash disbursement) + Incorporates a boost to the Child Tax Credit in its equal funding for adults & children + Requires state agencies to boost outreach for Medicaid and SNAP, targeting lowest income individuals
Waters Bill - “Proposals to help the economy during the COVID-19”	+ No means testing	+ \$2000/adult and \$1000/child monthly for each month of the crisis	+ Includes all adults residing in US and US territories receive all benefits stipulated--cash transfer and debt relief.	+ Eligible adults withdraw funds from financial institutions or receive directly by mail via the IRS + Federal Reserve or Treasury to establish a facility to reimburse creditors, services for	+ Suspends consumer and small business payments (mortgages, student loans, small business loans, etc.) during the pandemic + Suspends negative consumer credit reporting during the

crisis				lost revenue	<ul style="list-style-type: none"> + Prohibits debt collection, eviction, repossession, and wage garnishment during the pandemic & 120 days after + \$5 billion in emergency homeless assistance
Means Testing	Amount	Targeting/ Exclusions	Mechanism	Concurrent Welfare Policy	Means Testing
Tlaib Bill - “Automatic BOOST to Communities Act” (An addition to Waters’s bill)	+ No means testing	+ \$2000/adult and \$1000/child monthly for each month of the crisis	+ Includes all adults residing in US and US territories receive all benefits stipulated--cash transfer and debt relief. Ensures no barriers for receipt of cash based on citizenship.	<ul style="list-style-type: none"> + The Treasury administers pre-loaded debit cards to all people in the U.S., modeling existing infrastructure of Metabank for EBT cards + Intention to utilize the capacity of ongoing U.S. Census outreach to ensure the benefit reaches all people 	+ Supports the other welfare assistance stipulations of Waters’s bill above
Pelosi Bill - “Take Responsibility for Workers and Families Act”	- Means test administered post-hoc over three years for those making > \$75k per year, or > \$150k for couples	+ \$1500 per person, up to \$7500 per household	- Incorporates a phase-out administered after the fact for higher-income individuals and households	<ul style="list-style-type: none"> + Administered via the Federal Reserve through a new, digital dollar currency, redeemable at eligible financial institutions and backed by liabilities with the Federal Reserve Bank + Could include immigrants and non-citizens, administered through tax ID numbers 	<ul style="list-style-type: none"> + \$150 billion to support hospitals during the outbreak + Eliminates any cost sharing for COVID-19 patients + \$500 billion in loans to small businesses + \$450 million in emergency pool for food assistance programs + \$60 billion in funding to support schools during economic downturn
McConnell & Senate GOP Bill - “Coronavirus Aid, Relief, and Economic Security (CARES) Act” Version 1	- Means tested phase-in of benefits, must have reported earnings of >\$2500, and phase-out at a 5% rate for incomes higher than \$75k for a single filer, and \$150k for couples	<ul style="list-style-type: none"> + \$1200 per adult, \$500 per child - One-time, non-renewable transfer 	<ul style="list-style-type: none"> + Includes non-citizens - Parents must have a minimum income of \$2500 to receive the \$500 per child benefit 	- Administered via IRS tax return databases for filers in 2019 or 2018 if 2019 has not been filed. Non-filers are excluded. This method is also prone to hinging benefits on out-dated income information and may burden low-income non-filers	<ul style="list-style-type: none"> + \$350 million in small business loans - Unclear on other supports for hospitals or existing welfare programs
McConnell &	- Means tested phase-out at a 5%	+ \$1200 per adult, \$500 per child	+ Includes non-citizens	- Administered via IRS tax return	+ \$350 million in small business loans

Senate GOP Bill - “Coronavirus Aid, Relief, and Economic Security (CARES) Act” Version 2	rate for incomes higher than \$75k for a single filer, and \$150k for couples	- One-time, non-renewable transfer		databases for filers in 2019 or 2018 if 2019 has not been filed. For non-filers, it administers via the Social Security Administration. This method is prone to hinging benefits on out-dated information and may burden low-income non-filers	- Unclear on other supports for hospitals or existing welfare programs
Means Testing	Amount	Targeting/ Exclusions	Mechanism	Concurrent Welfare Policy	Means Testing
Mnuchin proposal (loose)	- No specifics have been provided on means testing	+ \$1000 or more to all Americans	- Mnuchin indicated the funding need not be given to high-income individuals. Any means testing will stall disbursements with relatively little savings.	- Suggested mechanisms in a payroll tax could take months	+ Proposed cash transfer accompanies financial assistance to small businesses and major industries, such as airlines

Importantly, stipulations that require individuals to prove that their incomes have been affected directly by coronavirus, or to prove that they have had the virus, are at odds with efficient disbursement of cash to all who need it. Particularly since testing for the virus has been dramatically limited, with many individuals without preexisting health risks being told to just stay home, this kind of condition on aid will hamper appropriate support for those who need it. Similarly, proposals for a “phase-in” of those eligible (i.e. individuals must be above certain income thresholds to receive the benefit) discriminate against the poorest individuals and families in much the same way as a work requirement would. Moreover, bills without a plan for the continued economic distress expected to result from the pandemic are shortsighted, and fail to provide a mechanism to repeat the cash transfer in the event of major rises in unemployment.