

The CARES ACT and POVERTY in the COVID-19 CRISIS

Promises and Pitfalls of the Recovery Rebates and Expanded Unemployment Benefits

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The ongoing COVID-19 (“novel coronavirus”) pandemic has led to historic turbulence in the United States labor market. Unemployment rates spiked to nearly 20 percent in April 2020, the highest rate of unemployment since the Great Depression. To mitigate the economic consequences of the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in late March 2020. Included in the CARES Act were two major expansions to income transfer programs: Recovery Rebates, a one-time cash payment to a large share of the U.S. population, and expansions to unemployment benefits.

In this brief, we discuss the *promises* and *pitfalls* of the two income transfer programs within the CARES Act. We demonstrate that the CARES Act features an unprecedented set of income transfers with potential to return poverty rates to pre-crisis levels if enough families are able to access the benefits. However, administrative barriers to benefits access—including complex application procedures, outdated administrative infrastructure, and deadlines to claim Recovery Rebates imposed with little warning—threaten to weaken the poverty reduction potential of the CARES Act. Likewise, the explicit exclusion of **millions of individuals** from the CARES Act’s income transfers undermines its ability to reduce poverty. Moreover, the CARES Act still leaves many families with little to no income over many months. If high unemployment rates persist, additional income support will likely be needed to prevent subsequent increases in poverty and economic insecurity.

Key Findings

- The CARES Act’s Recovery Rebates and expansions to unemployment benefits are projected to provide up to \$500 billion in income transfers in 2020, more than the total amount of all spending on non-retirement income transfers in 2019.
- The CARES Act transfers are short-term and temporary, leaving many families with little or no income support after July 2020.
- The CARES Act has potential to return annual poverty rates to pre-crisis levels, but only if an adequate share of families can actually access the CARES Act benefits.
- The CARES Act’s effect on annual poverty rates likely understates the immediate hardship that many families are experiencing, especially those waiting to receive their CARES Act benefits.
- If high unemployment rates persist beyond July 2020, additional income support will likely be needed to prevent subsequent increases in poverty and hardship.
- Unemployment rates are particularly high for Hispanic and Black workers, suggesting that an end to the CARES Act’s income support after July 2020 may exacerbate racial and ethnic differences in poverty.



Part I: The Potential of the CARES Act

What is the CARES Act?

The CARES Act is a nearly \$2 trillion relief package that Congress signed into law in March 2020 after the onset of the COVID-19 pandemic. The act includes large amounts of funding for state, local, and tribal governments to cover extra expenses incurred in mitigating the spread of COVID-19; health services; small businesses; and direct income transfers to families. This study focuses exclusively on the two major income transfers for families within the CARES Act: the Recovery Rebates and the expansions to unemployment benefits.

The **Recovery Rebates** (often referred to as “stimulus checks”) provide direct cash assistance to families below a certain income threshold. They provide a one-time payment available at a rate of \$1,200 per eligible adult and \$500 per eligible child aged 16 and under. For example, a family with one adult and two children can receive up to \$2,200. The full amount is available for those with an annual adjusted gross income of up to \$75,000 (for single filers), up to \$112,500 (for those who file as heads of household), or up to \$150,000 (for joint filers). The payment then phases out at a rate of 5 percent, offering a partial amount to households with incomes above these thresholds, before phasing out completely. The payment does not cover individuals aged 17 and over who are still claimed as dependents by their families for tax purposes. The payment is also not available for immigrants who file taxes with an Individual Taxpayer Identification Number (ITIN) and any members of their household, regardless of U.S. citizenship or green-card status.

The **unemployment benefit expansions** build off existing unemployment insurance (UI) programs, but establish three new temporary subcomponents that increase benefit levels and expand eligibility criteria:

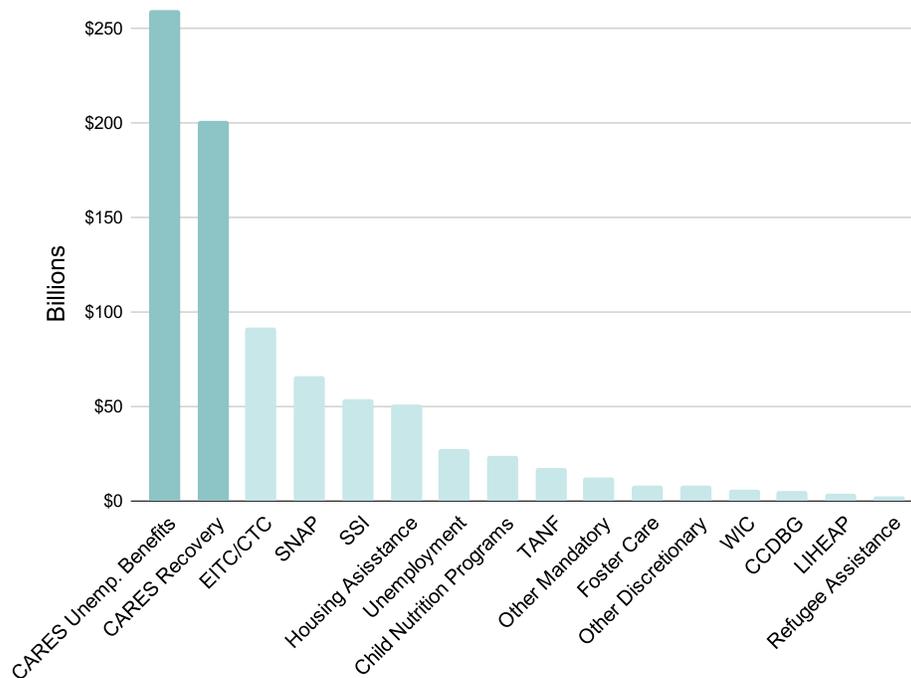
- The **Pandemic Emergency Unemployment Compensation (PEUC)** adds 13 weeks of additional unemployment benefits once regular UI allotments (generally a 26 week-maximum) expire. The PEUC also applies to individuals who were already jobless and receiving UI benefits before the crisis.
- The **Pandemic Unemployment Assistance (PUA)** provides unemployment benefits to jobless adults who are generally excluded from regular UI eligibility due to their type of employment (e.g. self-employed, part-time, independent contractors), work history, or level of earnings. Individuals receiving PUA assistance receive benefits worth at least half the state’s regular minimum payment (around \$183 per week) for up to 39 weeks, in addition to the \$600/week PUC benefits. An individual receiving minimum PUA benefits for the full 39 week duration can thus receive close to \$17,000.
- The **Pandemic Unemployment Compensation (PUC)** delivers a \$600 per week payment to all UI recipients—regardless of whether they receive regular UI benefits or PEUC/PUA expansions, as an additional payment on top of their other UI compensation. The PUC is in place through the end of July. The PUC can amount to \$9,600 in individual income support for individuals who receive the benefit for the full 16 weeks. The PUC benefits are paid retroactively (from the date of employment loss) for individuals who experience delays in applying for or accessing their UI benefits.

As discussed later, however, many recently unemployed individuals remain unable to access unemployment benefits.

Income Transfers within the CARES Act are Larger Than All Other Non-Retirement Transfers Combined

To put the size of the Recovery Rebates and expanded unemployment benefits into perspective, Figure 1 compares our projections of spending in 2020 on the two transfer programs to observed spending on all other income transfers (except Social Security) in 2019. We present projections under a “medium access” scenario, in which 70 percent of eligible families receive Recovery Rebates and 60 percent of the recent jobless receive expanded unemployment benefits. As such, our projections are lower than that of the Congressional Budget Office (CBO) when simulated at the same rate of 14 percent unemployment as they project, though our “high access” projections (see [Appendix](#)) closely match CBO estimates. Even in this medium access scenario, we project that the Recovery Rebates and expanded UI are substantially larger than the spending on major income transfer programs such as refundable tax credits or SNAP in 2019.

Figure 1. Projected spending (in billions) for CARES Act transfers compared to spending on existing transfer programs in 2019



Note: CARES Acts projections under medium levels of access (70% receipt rate among families eligible for Recovery Rebates and 60% receipt rate of unemployment benefits among recent jobless). See [Appendix](#) for projections at high or low access. Projections based on 19.7% unemployment rate as observed in April 2020 monthly CPS data. Spending on existing programs from [House Committee on the Budget](#).

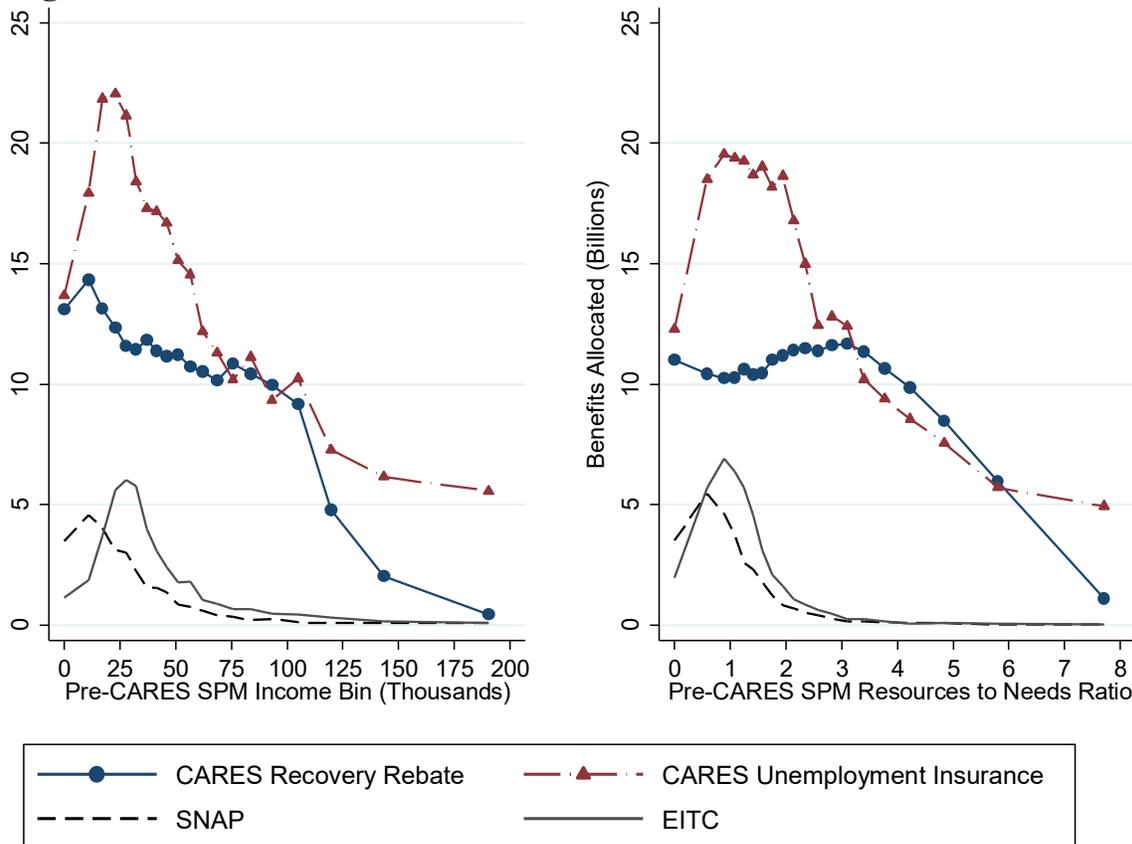
Combined, the two components of the CARES Act amount to around \$460 billion in transfers in 2020. Under a high-access scenario, this total reaches \$500 billion (see [Appendix](#)). To place these sums into context, consider that all spending on non-retirement, non-healthcare income transfers in 2019 amounted to around \$375 billion. Put differently, the CARES Act is projected to vastly increase the size of non-retirement income transfers to the U.S. population in 2020, an appropriate response given the large increase in unemployment rates.

To emphasize, the non-CARES Act transfers presented above are values from 2019, and many of these will likely increase in value in 2020 due to the rise in unemployment. Nonetheless, Figure 1 makes clear that the CARES Act represents a large increase in income transfers, as one should expect given large increases in unemployment.

Income Transfers in the CARES Act are Distributed Over a Large Share of the Population

In contrast to programs like the Supplemental Nutrition Assistance Program (SNAP) and the Earned Income Tax Credit (EITC), which are targeted at lower-income families, the income transfers in the CARES Act are distributed broadly across the income distribution. This helps to explain their much larger costs relative to SNAP and the EITC. Figure 2 projects the distribution of the Recovery Rebates and expanded UI across the pre-CARES Supplemental Poverty Measure (SPM) resources distribution.¹ The distribution of SNAP and EITC benefits as observed in 2019 are included to provide a point of comparison.

Figure 2. Allocation of income transfers across the income distribution



Note: CARES Act transfers simulated at medium levels of access (70% receipt rate among families eligible for Recovery Rebates and 60% receipt rate of unemployment benefits among recent jobless). Unemployment rate at 19.7 percent. Resources to needs ratio is total SPM resources divided by poverty threshold. *SPM resources include*: the sum of cash income and noncash benefits, minus work expenses, medical expenses, and child support paid.

As demonstrated before in Figure 1, the amount of spending on the two CARES Act transfers is projected to be much larger than either SNAP or EITC, even toward the bottom of the income distribution. The Recovery Rebates, in particular, are structured to reach the broadest set of households, including those with no or very low earned income. At each point along the income distribution, the Recovery Rebates and expanded unemployment benefits allocate more income transfers to the general public than SNAP or the EITC. Though the CARES Act programs are similar in size to one another, they function in very different ways. The Recovery Rebates distribute a modest payment to a large share of the population, while the expanded unemployment benefits distribute large payments to a small share of the population.

¹ As detailed in the Appendix, the SPM definition of resources includes the sum of cash income and noncash benefits (all taxes and transfers), minus work expenses, medical expenses, and child support paid.

Many Families are Having Difficulty Accessing the CARES Act Transfers

Given the observed barriers to access for many individuals attempting to acquire their CARES Act income transfers, we simulate three post-CARES Act scenarios: high, medium, and low access. The three scenarios can be summarized as follows:

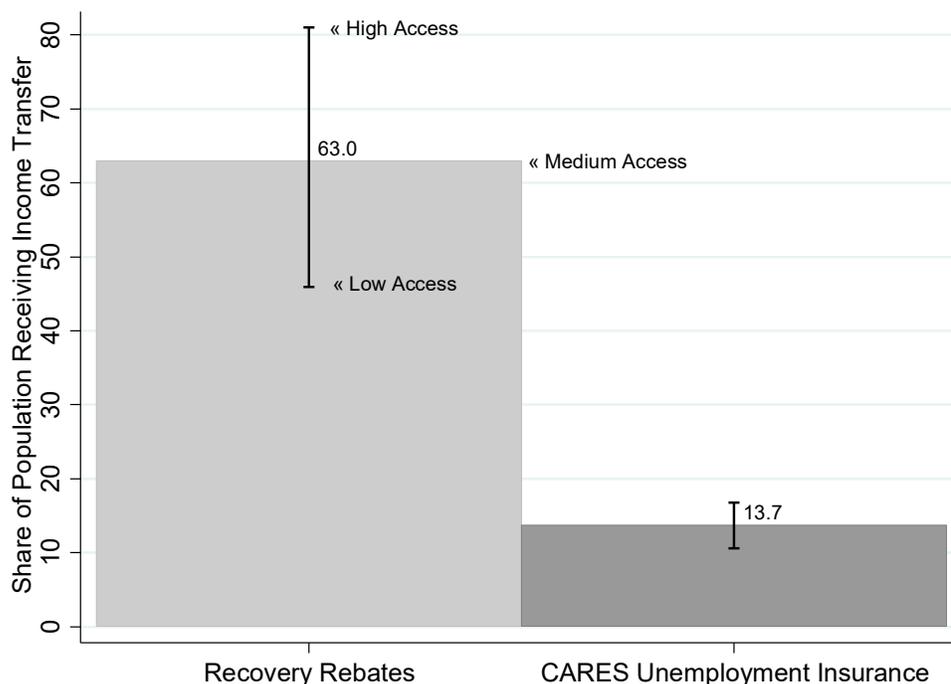
- **High access scenario:** Assumes 90 percent of those eligible will receive the Recovery Rebates and 80 percent of the recent unemployed will receive expanded unemployment benefits.
- **Medium access scenario:** Assumes 70 percent of those eligible will receive the Recovery Rebates and 60 percent of the recent unemployed will receive expanded unemployment benefits.
- **Low access scenario:** Assumes 50 percent of those eligible will receive the Recovery Rebates and 40 percent of the recent unemployed will receive expanded unemployment benefits.

For those eligible, Recovery Rebate access is likely to be higher than UI access. Recovery Rebates are paid out automatically to those who have filed recent tax returns. Recipients who have bank account information on file with the Internal Revenue Service will be paid by direct deposit; recipients who are mailed paper checks or prepaid direct debit cards will receive them at a later date. Those who have seen more recent changes to their household composition (e.g. number of qualifying adults and children) will need to make a separate claim for those individuals on their 2020 tax return and will not receive this payment until 2021. Non-filers can apply for Recovery Rebates using an online application portal, but may not be aware of this option or may require assistance to do so. Those who receive Social Security, Supplemental Security Income, or Veterans Administration payments who have not filed a recent return will automatically receive the Recovery Rebate, but must apply separately to receive payments for their dependents.

Access to unemployment benefits is gained through state unemployment systems. Depending on demand and existing administrative infrastructure, receipt of unemployment benefits will vary by state. Reports from the [U.S. Department of Labor](#) suggest that between 12 to 16 million individuals received unemployment benefits in the first two weeks of April 2020, around the time at which the April CPS (the data analyzed in this brief) was conducted. These numbers place the rate of access around 60 percent, our target for the medium-access scenario. Given that we simulate poverty rates based on annual income, and that UI benefits are retroactively paid if recipients receive them after a delay, we expect that the access to UI benefits over the course of a year will be higher than rates of access today.

Figure 3 depicts the share of the population living in a family that receives these income transfers under our three projections for the April 2020 population. As noted earlier, though, our default scenario for analysis is medium-access.

Figure 3. Projected share of U.S. population living in a family that receives given income transfer (given composition of April 2020)



Note: Projections in April 2020 CPS monthly file at 19.7 percent unemployment. Vertical bars represent range of participation based on lower- and higher-access scenarios.

The Recovery Rebates are projected to cover up to 80 percent of the entire U.S. population in our high-access scenario, and around 63 percent in our medium-access scenario. The expanded unemployment benefits, in contrast, cover 16.8 percent of the U.S. population in our high-access scenario and 13.7 percent in our medium-access scenario. These projections assume a 19.7 percent unemployment rate as observed in April 2020 after adjusting for misclassification errors among individuals who are employed but absent from work for “other reasons.”² The observed number of families receiving unemployment benefits increased in May 2020. As a result, the annual share of families receiving unemployment will likely be higher than what we project here.

For comparison, note that SNAP and the EITC cover more families than the expanded unemployment benefits, though the expanded unemployment benefits generally provide much larger benefit values for individuals who can access them.

² The *misclassification error* affects workers who are unemployed with temporary layoff. Prior to adjusting for the misclassification error, the unemployment rate would have been 14.7 percent. We discuss our treatment of workers who are temporarily laid off in the Appendix.

The CARES Act Has Potential to Reduce Poverty to Pre-Crisis Levels if Access is Adequate

The poverty estimates in this brief are based on the Supplemental Poverty Measure (SPM) framework. The [Appendix](#) includes a discussion of the major advantages of the SPM as compared to the official measure and a detailed description of our methods. We note up front two caveats of our estimates. First, we do not model the temporary increase in SNAP benefits for SNAP recipients receiving less than the maximum value. Second, we do not model the potential impact that receipt of CARES Act benefits might have on eligibility for other transfer programs.³

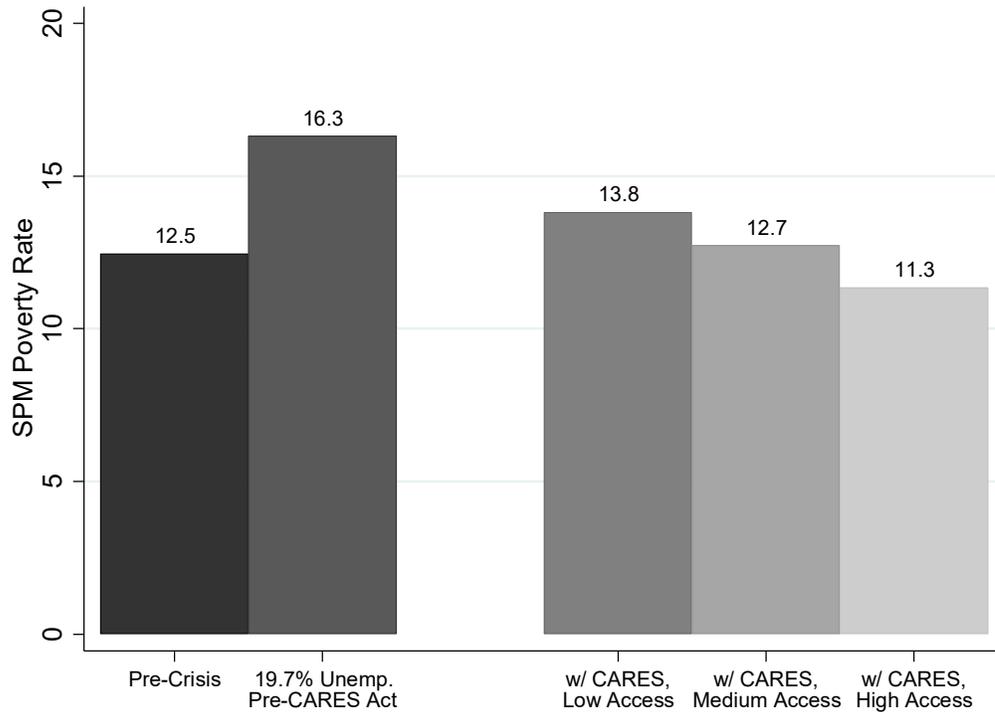
Additionally, we emphasize that our simulations project *annual poverty rates* based on the observed characteristics of April 2020. Though we use April 2020 data as our base, we do not project *monthly poverty rates* based on monthly income. See [Appendix](#) for our methods in details.

What effect might the CARES Act have on SPM poverty rates? Without the CARES Act, we project that poverty rates will rival the levels of poverty observed during the Great Recession, depending on how high unemployment climbs. In a [recent brief](#), for example, we demonstrated that if annual unemployment were to climb above 20 percent, poverty rates would be among the highest observed since 1967, the first year for which reliable income data are available.

³ We do follow current practice in poverty measurement of including individual's expected EITC and CTC values as part of the family unit's resources.

Figure 4 presents our projections of poverty rates at an unemployment rate of 19.7 percent (the rate observed in April 2020) before and after accounting for the CARES Act. The figure displays results from the three post-CARES Act scenarios: a high level of Recovery Rebate and UI access, a medium level of access, and a low level of access. We emphasize, however, that our primary findings—the ability of the CARES Act to reduce poverty rates to pre-crisis levels—hold even at lower rates of unemployment, such as the 16 percent observed in May 2020.

Figure 4. Projections of poverty rate before and after accounting for the CARES Act



Note: High, medium, and low access refer respectively to 90%, 70%, and 50% receipt rate of Recovery Rebates among eligible families and 80%, 60%, and 40% receipt rate of unemployment benefits among recent jobless. Pre-crisis refers to projected poverty rate in February 2020. Projections in April 2020 CPS monthly file at observed unemployment rate of 19.7%.

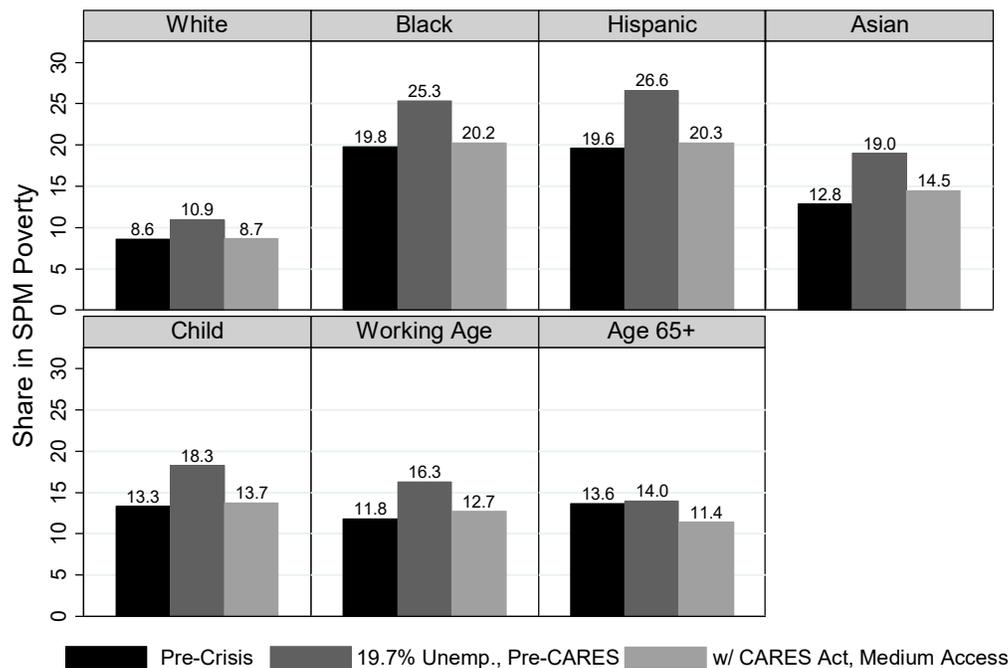
The SPM poverty rate in 2018 was 12.8 percent, though our models suggest that the rate may have fallen to 12.5 percent (our “pre-crisis” indicator in Figure 4) by February 2020 given increases in employment rates up to that date. If unemployment were to rise and remain at 19.7 percent, the rate observed in April 2020, we project that poverty rates would rise to 16.3 percent.⁴ This projection—shown in the two bars on the left side of Figure 4—takes existing transfers, such as SNAP and standard UI benefits, into account, but does not yet incorporate the CARES Act transfers.

The right side of Figure 4 project poverty rates under low, medium, and high access rates for the CARES Act transfers, still using the unemployment rates observed in April 2020. Under a low-access scenario, poverty rates would fall from 16.3 to 13.8 percent, but would remain above pre-crisis levels. Under a medium-access scenario, poverty rates would fall from 16.3 to 12.7 percent, comparable the rates observed prior to the crisis. Finally, under a high-access scenario, poverty rates would fall from 16.3 percent to 11.3 percent roughly one percentage point below pre-crisis levels.

In this scenario, the CARES Act would actually contribute to a reduction in annual poverty rates, though more than 36 million individuals would still live in poverty. However, this strong effect on poverty rates is primarily due to high levels of income transfers concentrated in the first half of the year, potentially leaving families with little to no benefits in the second half of the year.

⁴ Note that even at 14.7 percent unemployment, the estimated rate before adjusting for misclassification error among workers who are temporarily laid off, the projected poverty rate is above 15 percent.

Figure 5: Projections of poverty rate before and after CARES Act, by demographic



Note: Medium access refers to 70% receipt rate of Recovery Rebates among eligible families and 60% receipt rate of unemployment benefits among recent jobless. Projections in April 2020 at observed unemployment rate of 19.7% nationally. Unemployment rates vary by demographic group. Pre-crisis = projected poverty rates given observed characteristics of population in February 2020.

Figure 5 presents similar results, now separated by age and race/ethnicity. Given that we are using observed data as of April 2020, these estimates take into account the differential likelihood of unemployment facing different demographic groups during the crisis. For example, while the national unemployment rate was 19.7 percent in April 2020, it was around 17.5 percent for White adults, 22.5 percent for Black adults, 24.7 percent for Hispanic adults, and 20.9 percent for Asian adults. For brevity, we display post-CARES Act poverty rates only under the medium-access scenario.⁵

For White, Black, and Hispanic individuals, the crisis contributes to higher pre-CARES poverty rates (10.9 percent and 25.3 percent, respectively), but with potential to return to close to pre-crisis levels after transfers from the CARES Act. In all scenarios, however, Black and Hispanic individuals remain more than twice as likely as White individuals to experience poverty. We project that poverty rates will remain around 20.2 for Black individuals, 20.3 percent for Hispanic individuals, and around 14.5 percent for Asian individuals even after taking the CARES Act into account. The smaller poverty reduction effect for Hispanic individuals, is partly due to the CARES Act's exclusion of undocumented immigrants. This may apply to many Asian individuals, as well.

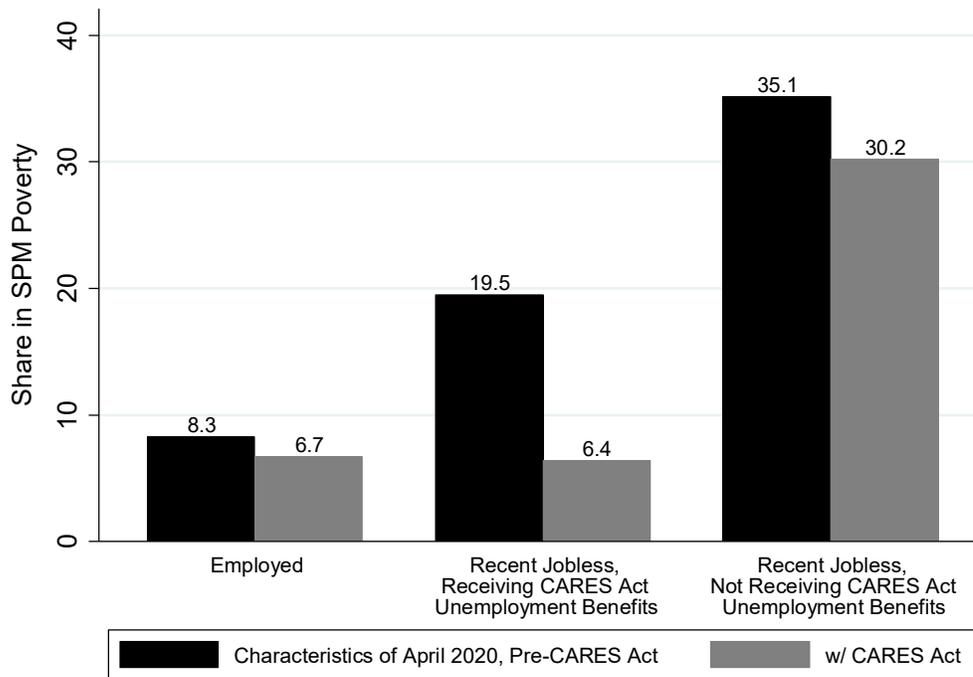
Poverty rates also differ by age group. Children and working-age adults see a comparatively large increase in poverty rates after the crisis. The crisis has not led to notable increases in poverty rates for adults above the age of 65, and the CARES Act has potential to reduce poverty rates for this demographic group. To understand why, consider that most retirement-age adults are not in the labor force and, thus, are less likely to fall into poverty when national unemployment rates are rising. Many retirement-age adults still receive the Recovery Rebates, however, hence their decline in poverty rates after taking the CARES Act into account.

⁵ Results for each of the three scenarios are available upon request to the authors.

CARES Act Unemployment Benefits are Effective for Those Who Receive Them

Figure 6 projects the poverty rate for three types of observed employment scenarios to narrow in on the impact of the CARES Act. The three scenarios include (1) individuals who remain employed in April 2020, (2) individuals who lost their job during the crisis but receive CARES Act unemployment benefits, and (3) individuals who lost their job during the crisis but cannot access unemployment benefits. It remains too early to know how representative each of these scenarios is, though recall that we distribute unemployment benefits to 60 percent of the recent jobless in our simulations.

Figure 6. Projections of poverty rate by employment status



Note: Projections in April 2020 CPS monthly file at observed unemployment rate of 19.7%.

For individuals who remain employed, poverty rates projected given the April 2020 composition are 8.3 percent before the CARES Act and 6.7 percent after the CARES Act. Though this group does not receive the CARES unemployment benefits, many are likely to receive the Recovery Rebates, hence their decline in poverty rates. Among the recent jobless who receive unemployment benefits, a stark difference exists in pre- versus post-CARES poverty rates. Before accounting for the CARES Act, poverty rates among this group are projected at 19.5 percent. After accounting for the CARES Act, however, poverty rates for this group drop to 6.4 percent, a substantial decline in poverty rates. Simply put, the extended unemployment benefits and \$600 per week bonus for the recent jobless go a long way in reducing the likelihood of poverty for this group. In contrast, the recent jobless who do not receive unemployment benefits face a poverty rate of 30.2 percent after the CARES Act is taken into account.

These findings demonstrate clearly that the expanded unemployment benefits have a strong poverty reduction effect for those who recently lost their jobs and can access the unemployment benefits. As we discuss next, however, much of this income support is short term in structure. If the economy's contraction is prolonged, economic insecurity is likely to increase.

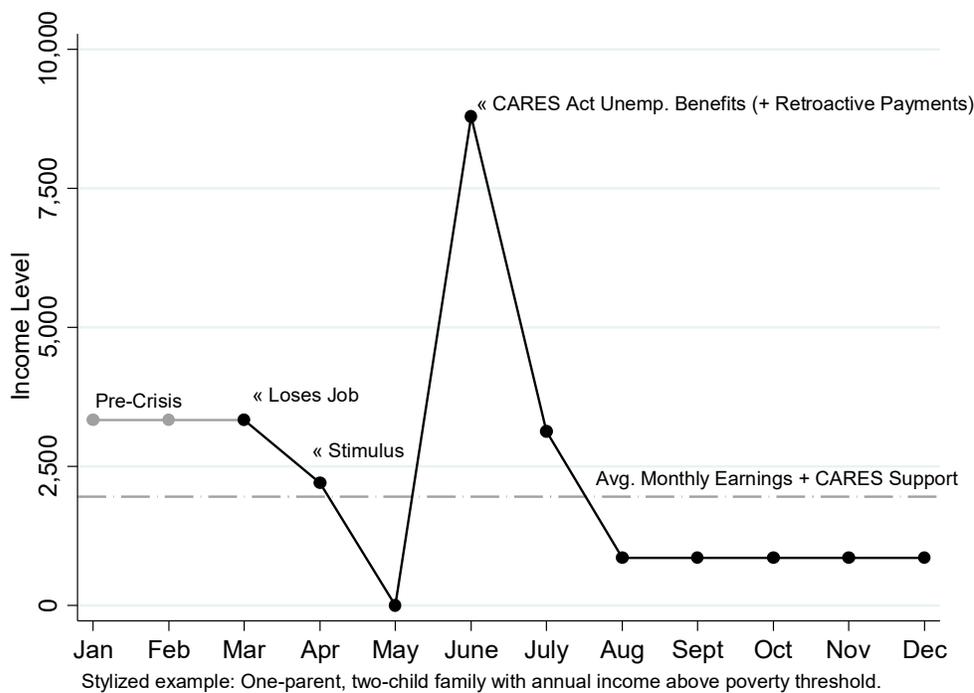
Part II: Pitfalls of the CARES Act

Poverty Reduction Potential of the CARES Act Overlooks Income Volatility and Immediate Hardship as Many Families Await Benefits

Though there is potential for the CARES Act income support programs to have large effects on annual poverty rates, several drawbacks in the CARES Act’s design might hamper its ability to do so. The majority of the CARES Act income supports are concentrated in late spring and early summer 2020. This is appropriately timed to direct emergency cash relief to families upon the immediate or recent loss of their jobs and other family income at the start of the pandemic, but does not address the fact that the economic downturn might continue through 2021. The Recovery Rebate is a one-time payment, while the largest part of the unemployment expansions—the \$600 per week PUC bonus—expires in late July 2020, leaving many families with small amounts of income in subsequent months.

Figure 7 provides a stylized example of how this income volatility might look for a single parent with two children who receives the Recovery Rebate and expanded unemployment benefits. The stylized example represents a reality for many families seeking unemployment benefits: due to outdated state UI systems, recently unemployed individuals might have to wait weeks or months before collecting their unemployment benefits.

Figure 7. Stylized example of income volatility throughout year for single adult receiving CARES Act Recovery Rebate (“stimulus”) and unemployment benefits



Note: Stylized example represents single-parent, two-child family in state with average living costs. Parent is assumed to lose employment in March, but is unable to access unemployment benefits until June. This scenario assumes the parent receives the \$600/week Pandemic Unemployment Compensation bonus through its expiry in July, but continues to receive minimum unemployment benefits through December. The family has annual income above the poverty line despite experiencing several months with low or no income support.

In this example, the parent loses his/her job in March, but is not able to collect unemployment benefits until June. In June, the parent receives that month's unemployment benefits, as well as retroactive unemployment benefits for April and May. In July, the \$600 per week PUC top-up payment expires. From August through to December, the parent receives the minimum unemployment payments only. This combination of income transfers is just enough that the family's annual total income is above the poverty line despite experiencing much of the year with modest income support (including one month with no income from earnings or assistance at all). The annual total is also well below what the family had likely been able to take home in earnings prior to losing their job at the start of the pandemic.

The income volatility associated with the CARES Act sheds light on a potential weakness of a focus on annual poverty rates. Using a monthly poverty rate, and assuming the monthly poverty threshold would be one-twelfth the annual threshold, this stylized family would live in poverty most of the year, yet would not be considered to be living in poverty based on its *annual income*. In this scenario, families are likely to face higher rates of hardship even if annual poverty rates match pre-crisis levels. Moreover, in the absence of regular income support, families will be faced with the challenge of using their large, concentrated increase in transfers to smooth consumption over an unknown period of time.

Many Families are Explicitly Left Out of the CARES Act

Additionally, we note that a significant number of families are explicitly left out of the CARES Act. Altogether, 30 million income-eligible individuals are excluded from the emergency cash payment. This is the result of restrictions that exclude 15 million dependents aged 17 and over who are still claimed by their families for tax purposes and 15 million members of immigrant families (even if they hold US citizenship or green-cards) where at least one adult files their federal taxes with an Individual Taxpayer Identification Number (ITIN), rather than a Social Security Number.

Looking in detail at those left out, [a recent paper](#) by Megan Curran and Sophie Collyer reveals the dependent age restriction excludes 10 million 17- to 24-year-olds, almost all of whom are high school or college students. These young adults were more likely to live in poverty prior to the pandemic and are less likely to be able to access other forms of immediate income support, including unemployment benefits. The [Center on Budget and Policy Priorities identifies](#) a further 5 million older adult dependents excluded, many of whom are elderly individuals on modest incomes claimed by their family members for tax purposes or are adults with serious health issues or disabilities. And the [Migration Policy Institute finds](#) the immigration restrictions exclude 9.9 million undocumented individuals, 3.7 million children who are US citizens or green-card holders, and 1.7 million adult spouses who are US citizens or green-card holders.

Undocumented immigrants also face the most explicit exclusions from the CARES Act unemployment expansions. The PUA is meant to provide unemployment benefits to the self-employed and others with part-time or informal work history who lose their jobs during the crisis. However, work authorization is required to access PUA benefits, leaving many undocumented workers without access. According to the Migration Policy Institute, [roughly 7 million undocumented individuals were employed](#) in the years prior to the pandemic, and none of these individuals will be able to access unemployment benefits, in any form, in the current crisis. Moreover, undocumented workers are [generally excluded](#) from traditional income transfer programs like UI, SNAP, and the EITC. As a result of these exclusions, our estimates suggest that around one in every four undocumented immigrants lives in poverty, even after taking the CARES Act into account.

Regular Income Support to Low-Income Families Will be Critical if Crisis Continues

In the absence of a quick turnaround in employment rates, regular income supports that reach the broadest possible set of low-income families will be important in reducing potential increases in poverty moving forward. As discussed, the CARES Act transfers are admirable in size, but threaten to leave many families with little income support after the one-time Recovery Rebate is received and PUC benefits expire in July 2020.

Regular income transfers could come through additional installments of the Recovery Rebates, through extensions of the PUC benefits beyond July 2020, and through expanding the accessibility and generosity of existing transfers such as the Supplemental Nutrition Assistant Program (SNAP).

One advantage of increasing SNAP benefits is that the program currently reaches a broader share of low-income families relative to unemployment benefits. During the Great Recession, Congress passed legislation to increase SNAP benefits by 15 percent of their prior value. In the current crisis, however, similar legislation has not been passed. While SNAP benefits have been upgraded to maximum levels in all states, this change only lasts for two months and does not benefit families already receiving the maximum amount—in other words, those on the lowest incomes. It is precisely these families who are likely to be at greatest need of additional income support.

That said, SNAP also has its limitations: families can only spend their SNAP benefits on food items, despite the fact that many will need support paying rent, buying diapers, or meeting other consumption necessities throughout the crisis. Coupling a SNAP increase with an extension of weekly PUC benefits for jobless adults, in contrast, would continue to provide direct cash support to many families who have experienced job loss after the onset of the pandemic. For families with children, advancing an increased and fully refundable Child Tax Credit that [reaches children in families with the lowest incomes](#) and is paid out in monthly installments would also provide a regular source of cash support to households. Regardless of the mechanism, providing regular income support beyond July 2020 is likely necessary to prevent increases in economic insecurity if high unemployment rates persist.

Conclusion

In response to the rapid rise in unemployment rates after the onset of the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in late March 2020. The CARES Act included two major income transfers: Recovery Rebates and expansions to unemployment benefits. This brief covered both the promises and pitfalls of the two income transfers.

The promises of the CARES Act are as follows:

- In response to high levels of unemployment, the CARES Act's Recovery Rebates and expansions to unemployment benefits are projected to provide up to \$500 billion in income transfers in 2020, more than the total amount of all spending on non-retirement income transfers in 2019.
- The CARES Act has potential to return the annual poverty rate to pre-crisis levels, but only if an adequate number of families can actually access the CARES Act benefits.
- The expanded unemployment benefits have a strong poverty reduction effect among those who lost their jobs after the start of the pandemic.

However, the CARES Act is far from complete.

Among its weaknesses are:

- The CARES Act explicitly leaves out many individuals from receiving income transfers: approximately 30 million income-eligible individuals from the Recovery Rebates and those without work authorization from unemployment benefit expansions.
- The CARES Act's effect on annual poverty understates the immediate hardship that many families are experiencing, especially those waiting to receive their CARES Act benefits.
- Moreover, the CARES Act benefits are concentrated in the first half of 2020, leaving many families with little or no income support after July 2020 unless they ration their benefits from the early part of the year.
- If the crisis and its effects on the labor market are prolonged, the regular provision of income support to low-income families will likely be needed throughout the crisis to prevent future increases in poverty and/or material hardship.

As detailed, we have applied our simulation framework to the observed population of April 2020 when unemployment was 19.7 percent. The same framework can be applied to future months with higher or lower unemployment to assess how poverty rates might change as the unemployment rate changes.

While the CARES Act is a critically important anti-poverty measure, we emphasize that many families are likely to experience months with little to no income support, particularly after the expiration of the Pandemic Unemployment Compensation benefits in July 2020. If high unemployment rates persist, additional income support will likely be needed to mitigate hardship in the short-term and prevent subsequent rises in poverty and economic insecurity moving forward.

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Appendix A

Simulation Methods for Producing Monthly Updates of SPM Poverty

Our methodology builds on the framework presented in the Appendix of Parolin and Wimer (2020), “Forecasting Estimates of Poverty During the COVID-19 Crisis,” but with several important changes. Here, we elaborate on that framework and highlight the primary changes from our prior model to the current model.

Data Sources

The Census Bureau releases two primary versions of the U.S. Current Population Survey (CPS): a “basic monthly” file released each month and the Annual Social and Economic Supplement (ASEC) released each year. The monthly files feature a broad range of demographic, employment, geographic, and household information, but do not provide comprehensive data on earnings, income, or poverty status. In contrast, the ASEC features the same information as the monthly files plus a broad range of earnings and income data. The ASEC is thus used to produce annual estimates of U.S. poverty rates. The data only cover the 50 states and Washington, D.C.; the data exclude Puerto Rico and other territories.

Updating Estimates of Poverty on a Monthly Basis

To produce new estimates of poverty on a monthly basis, we combine up-to-date data on demographic, employment, and household characteristics from the *monthly files* with information from the latest *annual ASEC files* on the association of those observed characteristics with SPM poverty.

Specifically, we develop a model that estimates the association of SPM poverty and a large set of observed characteristics in the CPS ASEC. We then treat the lack of SPM poverty indicator in the April 2020 monthly file as a missing data problem and resolve it accordingly. Specifically, we export the conditional likelihoods of poverty from our model in the ASEC to the April 2020 monthly file. To do so, we apply combined-sample multiple imputation (CSMI). We run 10 iterations of our CSMI model and take the mean of 10 imputations to compute a likelihood of poverty for each SPM unit and, in turn, an average poverty rate for the country as a whole. This is different from the model used in our prior simulation, which applied reweighting techniques to import the composition of the monthly file into the ASEC file. With the CSMI approach applied here, we are essentially exporting the association of observable characteristics and poverty rates *from the ASEC to the monthly files*.

We include a large selection of covariates into our ASEC models predicting poverty, including details on age, sex, education, race/ethnicity, citizenship/birthplace, household structure, marital status, employment indicators, observed duration of unemployment, disability status, and place of residence. Importantly, we also include a large selection of interaction effects among these indicators improve the fit of the model and enhance our estimates of the conditional likelihood of poverty for each SPM unit.

Validation Checks Using Past Data

In our prior brief, we evaluated our imputation techniques using 10 years of prior data and found that our methods are reliable in producing estimates of poverty that closely align with official estimates released several months later.

Capturing Changes in Employment Rates

The primary difference between this brief and the prior brief is that we no longer need to simulate higher rates of unemployment in the monthly data. This brief uses the recently-released April 2020 monthly CPS file, which features a 19.7 percent unemployment rate. In the past brief, we simulated increases in unemployment rates in the February 2020 monthly file to reach projected increases of unemployment. In using the observed characteristics within the April 2020 monthly file, we no longer need to estimate which workers are more likely than others to be sent to unemployment during the crisis; this is now directly observed in the data.

We adjust the unemployment rate to take into account the [misclassification errors](#) reported by the Bureau of Labor Statistics. For individuals who were classified as employed but absent from work for “other reasons,” we have reclassified this group as unemployed. Without this adjustment, the unemployment rate would be 14.7 percent rather than 19.7 percent. To adequately project an annual poverty rate, we project a duration of employment for the recent jobless that is equivalent to the expected value given the relationship between national unemployment rates and median duration of unemployment over the last 10 years. For individuals on temporary layoff, we project a duration of unemployment that is half that of individuals who are unemployed but not on temporary layoff.

Simulating the CARES Act Income Transfers

We model the two CARES Act transfers within the ASEC file. After doing so, we re-create our SPM poverty measures within the ASEC before exporting our estimates of poverty to the latest monthly CPS file (April 2020 in this brief). As discussed in the brief, we simulate estimates of post-CARES Act poverty rates under three scenarios: low, medium, and high access. High access indicates that 90 percent of those eligible will receive the Recovery Rebates and that 80 percent of the recent unemployed will receive expanded UI benefits. Medium access downgrades participation to 70 percent and 60 percent, respectively. And low access downgrades participation to 50 percent and 40 percent, respectively.

To model the **Recovery Rebates**, we apply the payment rates, eligibility criteria, income thresholds, and phase-out formula established in the CARES Act to tax units we identify in the 2019 ASEC file. Tax units are determined using the ASEC tax filer status variable, relationship and cohabitation variables, and dependency status. SPM family units, identified using the ASEC SPM family unit variable, may include more than one tax unit.

The payment rates used are a maximum of \$1,200 per qualifying adult (not claimed as a dependent by and \$500 per qualifying child (aged 16 and under). Dependents are identified using the dependency status pointer in the ASEC. Dependents aged 17 and over are excluded from receipt, as they are ineligible for the Recovery Rebate under the CARES Act. All members of tax units where one or both adult filers are believed to be an undocumented immigrant (and therefore filing taxes with an Individuals Taxpayer Identification Number (ITIN) rather than a Social Security Number) are excluded from receipt, regardless of whether family members are US citizens or green-card holders. We identify individuals who are likely to be undocumented following the methodology applied in [Borjas and Cassidy \(2019\)](#). Table A1 compares CBO projections on CARES Act spending at 14 percent unemployment compared to our simulations estimated at the same level of unemployment.

Individuals are allocated the full Recovery Rebate amount if they are members of tax units in which the annual adjusted gross income (AGI), using the ASEC adjusted gross income variable, is equal to or less than \$75,000 for single filers, \$112,500 for those who file as heads of household, and \$150,000 for joint filers. The total Recovery Rebate for the tax unit is then phased out at a rate of 5 percent for tax units with AGI above those thresholds. Our analysis includes non-filers, as these individuals are able to apply for a Recovery Rebate through an Internal Revenue Service [online application portal](#) or may receive the Recovery Rebate automatically if they receive Social Security, Supplemental Security Income, or Veterans Administration program payments. In simulating accessibility to meet our low, medium, and high access benchmarks, however, we give greater weight to the likelihood that non-filers will not receive Recovery Rebate benefits.

The total Recovery Rebate received by an SPM family unit, for the purposes of determining the impact on SPM poverty, is the sum of each tax unit total within the SPM family unit. To illustrate with an example, one SPM family unit comprised of three individuals (a married couple each aged 50 earning a joint total of \$100,000 and a single, non-dependent adult aged 25 earning \$40,000) can also function as two separate tax units if the married couple files taxes jointly as one tax unit and the 25-year-old files taxes individually as a single filer. For the purposes of the Recovery Rebate, the married couple receives \$2,400 and the 25-year-old receives \$1,200. Their SPM family unit Recovery Rebate total is \$3,600. If the 25-year-old was instead earning \$90,000, this individual would receive \$0 and the new SPM family unit total would be \$2,400 (comprised of the married couple's Recovery Rebate only).

For the expanded unemployment benefits, we model the three subcomponents of the expansion: the Pandemic Unemployment Compensation (PUC), PUA (Pandemic Unemployment Assistance), and PEUC (Pandemic Emergency Unemployment Compensation). We focus primarily on adults who are recently unemployed, defined as those losing jobs after February 1, 2020.

We simulate two versions of the PUA depending on the work histories of the recent jobless. For recently unemployed adults *without* a “reasonable work history” (which we define as more than 26 weeks of employment in the past year) and who do not receive the standard UI benefits, we assign the minimum PUA benefit, which amounts to half of the state's average UI benefit (around \$183 according to the CBO), plus the \$600/week PUC bonus. For recently unemployed adults with more than 26 weeks of employment in the past year but who do not receive standard UI, we assign the average UI benefit of \$366 per week, as well as the PUC bonus. Our estimates of PUA receipt closely match the CBO's projections of 10 million recipients in our high-access scenario.

For the recent jobless who we project to receive standard UI benefits (based on the conditional likelihoods exported from the ASEC file), we apply the \$600/week PUC bonus. Among the recent jobless who do not report receiving UI, but who appear eligible based on prior weeks worked, we simulate participation in UI until our target participation rate is reached. When matching CBO's estimates of benefit allocations at 14% unemployment, this target is 12 million.

The PEUC extends the duration of UI benefits from 26 weeks (in most states) to 39 weeks. This applies to the standard UI benefits only and does not apply to the \$600/week PUC bonus, which expires in July 2020. We extend the average weekly UI benefits by 13 weeks for UI recipients projected to surpass their state's maximum benefit duration (26 weeks in most states, but fewer than 26 weeks in [seven states](#).) For unemployed individuals, the duration of unemployment (number of weeks) is provided in the dataset. We do not apply the PEUC extensions to individuals who had already surpassed their state's maximum benefit duration prior to the crisis.

We do not assign any benefits to adults who are believed to be undocumented immigrants due their ineligibility for CARES Act income transfers. As noted in the Recovery Rebates discussion, above, we identify individuals who are likely to be undocumented following the methodology applied in Borjas and Cassidy (2019). Table A1 compares CBO projections on CARES Act spending at 14 percent unemployment compared to our simulations estimated at the same level of unemployment.

Table A1. Total benefits allocated (billions) compared to CBO projections at 14 percent unemployment

	CBO	High Access	Our Projections	
	Projection		Medium Access	Low Access
Recovery Rebates	\$270	\$249	\$201	\$150
Unemployment Expansion	\$268	\$268	\$217	\$161

Note: CBO projects benefit spending at 14 percent unemployment. We match their estimates here for comparison of our simulation strategy to theirs.

Our high-access simulations of Recovery Rebates at 14 percent unemployment closely match CBO projections. Our medium access scenario allocates around \$420 billion in CARES Act transfers, while our low access scenario allocates around \$310 billion. Act transfers, while our low access scenario allocates around \$250 billion.

At 19.7 percent unemployment, our simulation allocates \$260 billion in unemployment benefits in a medium-access scenario, while the allocation of Recovery Rebates remains at \$201 billion.

Appendix B

Overview of the Supplemental Poverty Measure (SPM)

Throughout this brief, we use the Supplemental Poverty Measure (SPM) in our estimates of poverty rates. The U.S. has an official measure of poverty that has existed since the 1960s, but the official measure is widely considered to be flawed. For this reason, we use the SPM as our primary poverty measure for these analyses. The improvements that the SPM makes over the official measure are numerous, but can be summarized as:

1. Whereas the official measure counts only pretax, cash income in its definition of resources, the SPM counts a more comprehensive measure of resources, which include after-tax income, in-kind or near cash benefits, and a subtraction of non-discretionary expenses like those for medical, work, and child care expenses.
2. The SPM uses a broader definition of the “family” than the official measure. Cohabiting couples are treated identically to married couples and are assumed to share resources. Foster children and other youth in the household are assumed to share resources with the primary family in the household.
3. The SPM poverty line is based on families’ expenditures on a core basket of necessities: food, clothing, shelter, and utilities, plus a little extra. The official poverty lines are based solely on food costs that prevailed in the 1950s and 1960s.
4. The SPM poverty line is adjusted for cost of living across metro areas, whereas the official poverty line is virtually uniform across the country.

For more details on the SPM and its measurement, see Fox (2019). For details on constructing the SPM historically see Fox et al. (2015).