



Fact vs. Fiction on Raising New York's Minimum Wage

Senator Skelos's Claims that Minimum Wage Earners Would Be Worse Off Are Not Supported by the Facts

ISSUE: Recently, the New York State Assembly acted to increase the state minimum wage from \$7.25 to \$8.50 per hour and index it to inflation. Attention now turns to the State Senate and the Governor.

CLAIM: In an effort to block this bill from receiving an up-or-down vote in the State Senate, opponents are resorting to distorted claims that a higher minimum wage will harm low-paid workers.

- For example, Senate Majority Leader Dean Skelos has stated that workers affected by the proposed minimum wage increase would end up owing over \$2,000 in higher taxes and lose eligibility for benefits under the Family Health Plus program.¹

THE FACTS:

- All workers affected by this modest increase in the minimum wage will benefit from higher take-home pay—for many of them, thousands of dollars more—even after accounting for higher payroll and income taxes and, in some cases, a reduced Earned Income Tax Credit. In Skelos' own example of a 4-person family with two minimum wage earners, take-home pay would rise by nearly \$2,700. That's a substantial increase for a family with gross earnings of a little over \$30,000.
- A minimum wage increase would not affect eligibility for Family Health Plus benefits for the overwhelming majority of low-wage New Yorkers, and the tiny fraction that might risk losing benefits because the increase would put them slightly above the eligibility level—estimated at less than 2 percent of minimum wage workers—could easily sidestep that impact if their work schedules averaged slightly less than full-time (as is the case for many low-wage workers).
- The reality is that those who oppose raising the minimum wage oppose rewarding hard work with decent pay.

In light of these facts, it is not surprising that a May 16 editorial in the New York Daily News characterized Skelos' rationale for not raising the minimum wage as "bizarre."²

¹ "Skelos on minimum wage," May 15, 2012. <http://www.lohud.com/VideoNetwork/1640934414001/Skelos-on-minimum-wage>.

² "Senate stiffs the working poor out of a minimum wage hike," May 16, 2012. <http://www.nydailynews.com/opinion/senate-stiffs-working-poor-a-minimum-wage-hike-article-1.1078879>.

More about tax liability

Question: How would increasing New York's minimum wage to \$8.50 affect the tax liability of workers receiving the increased minimum wage?

Background: Like all working New Yorkers, low-wage workers pay payroll taxes on their earnings. Most low-wage workers except those working limited hours also pay state and federal personal income taxes. In addition, some low-wage workers qualify for the Earned Income Tax Credit (EITC), which provides a refundable tax benefit that boosts the incomes of low and moderate income households. Workers without children are eligible for only a very limited EITC, and the credit phases entirely out as their hours worked rises. For workers with children, the amount of the EITC increases with the number of children (up to 3) and also increases as wage earnings rise up to a point. For a 2-parent family with 2 children, the amount of the EITC begins to decline when their annual earnings reaches about \$22,000 and it phases out entirely when their earnings reach about \$46,000.

- The suggestion that low-wage workers who receive raises under a higher minimum wage would be worse off after taxes has no basis in reality. All workers who receive raises under a minimum wage increase will be net better off, and most will receive thousands of dollars in urgently needed additional income.
- Most low-wage workers pay income taxes and all workers pay payroll taxes on their earnings and any increase in their earnings. But those taxes offset only a small portion of the additional earnings. Similarly, depending on the family status and earnings level, the EITC may decline as earnings rise; however, the dollar amount of the EITC decline is always less than the increase in earnings.
- Single workers without children generally earn too much already to receive the EITC and so would see no drop in such benefits. And while they would pay more in payroll and state and federal income taxes, a single full-time worker earning \$7.25 per hour would still see her or his take-home pay rise by a little over \$2,000.
- For low-wage workers with children, some would receive slightly less in EITC, while others would receive the same amount, depending on their income levels, as well as whether they have a spouse and, if so, the spouse's income level. However, all would see their after tax net incomes increase by thousands of dollars.
- For example, Senator Skelos focused on a family of two minimum wage earners with two children. This family's take-home pay would still increase considerably, by nearly \$2,700 a year, a substantial increase for a family with gross earnings of a little over \$30,000. It is just silly to suggest that a minimum wage increase would not be tremendously beneficial to such a family.

More about Family Health Plus benefits

Question: How would increasing New York's minimum wage to \$8.50 affect the Family Health Plus benefits of workers affected by the increased minimum wage?

Background: Family Health Plus is New York's public health insurance program for adults aged 19 to 64 whose incomes are too high to qualify for Medicaid. Income eligibility is based on family size.

Senator Skelos suggested that low-wage workers receiving a raise under an \$8.50 minimum wage would lose their Family Health Plus benefits and so would be substantially worse off. That suggestion is clearly not true for the overwhelming majority of low-wage workers affected by an increase in the minimum wage to \$8.50. Moreover, even the tiny number who might be at risk of losing their eligibility—estimated at 2 percent or less—could likely avoid that result by making minor adjustments in the number of hours they work. Here are the facts:

- For the overwhelming majority of low-wage workers receiving a raise, their eligibility for Family Health Plus would not be affected. (Income levels for Family Health Plus eligibility are available from the New York State Department of Health and are reproduced in the table below.)
- Working single adults and working couples without children already earn too much to be eligible for Family Health Plus. Single adults must earn less than \$11,170 per year, and couples without children less than \$15,130 in order to be eligible.
- Eligibility for or families of two, three, five, six or seven would in virtually all cases be unaffected by the minimum wage increase. Depending on how many working adults are in the family and their hours worked, most would either remain eligible for Family Health Plus, or would already earn too much to be eligible.
 - For example, a minimum wage earner who is a single parent with one child would remain eligible for Family Health Plus after a raise to \$8.50, since his or her income would still be below the income eligibility level of \$22,695 for a family of two. (The thresholds for single parents with two or more children are even higher; see the table below.)
 - Conversely, a married couple with one child who are both full-time minimum wage earners would already have incomes higher than the \$28,635 eligibility level, and so would have no benefits to lose. And a married couple of full-time minimum wage earners with three, four or five children would continue to fall well below the Family Health Plus eligibility levels (\$40,515 or more), and so would remain eligible.
- Only a family of four consisting of two full-time minimum wage earners and two children might potentially risk loss of their Family Health Plus benefits since a raise to \$8.50 would push their combined income just a little bit over the \$34,575 Family Health Plus threshold. However, two caveats need to be made:

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- This is more a hypothetical example than a real-world problem. In reality, according to Current Population Survey data, the share of households containing minimum wage earners fitting this exact configuration is likely less than 2 percent.
 - Such a family could readily retain eligibility by slightly reducing the total number of hours worked annually, e.g., if they worked 39 hours instead of 40 hours a week, or 50 weeks a year instead of 52 weeks, they would remain eligible. Most minimum wage earners in fact work somewhat less than full time hours, and those that do not could slightly reduce their hours to retain eligibility.
- Clearly, for the vast majority of minimum wage workers who are not in this particular household configuration, the proposed minimum wage increase will result in higher pay without affecting their eligibility for Family Health Plus.

Moreover, whenever workers receive higher pay, they require less assistance from public programs—this is a positive step toward greater financial independence. We should acknowledge that employers who pay their workers so little that they qualify for public subsidies like Medicaid or Family Health Plus are implicitly being subsidized by taxpayers. Increasing the minimum wage lessens the amount of taxpayer subsidy benefitting low-wage employers.

TABLE
New York Family Health Plus Income Eligibility

Maximum Gross Annual Income Guide Effective January 1, 2012			
Family Size	Yearly Income	Monthly Income	Weekly Income
Single Adult	\$11,170	\$ 931	\$214
Couples with No Children	\$15,130	\$ 1,261	\$291
Parents/Guardians Living with at Least 1 Child Under 21			
Family Size 2	\$22,695	\$1,892	\$436
Family Size 3	\$28,635	\$2,387	\$550
Family Size 4	\$34,575	\$2,882	\$665
Family Size 5	\$40,515	\$3,377	\$779
Family Size 6	\$46,455	\$3,872	\$893
Family Size 7	\$52,395	\$4,367	\$1,007
For each additional person add:	+\$ 5,940	+\$ 495	+\$ 114

Source: New York State Department of Health.³

³ “Who can join?” March 2012. http://www.health.ny.gov/health_care/family_health_plus/who_can_join.htm.