Vehicle Asset Limits and License Suspensions

Disproportionate Impact on Low-Income Communities and Communities of Color

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Introduction

Having access to a personal vehicle is an essential part of life in the United States. Since many cities do not have fully developed public transportation systems, simple tasks such as going to the bank, grocery store, or picking up and dropping off children can be difficult. Furthermore, the lack of a car or a valid driver's license limits the distance people can go to search for a job, hinders their ability to work certain shifts, and reduces the types of jobs for which people qualify. Having access to a personal vehicle increases workers' retention rates[1] and improves welfare participants' chances of transitioning off of welfare and into full employment.[2]

Despite the necessity of having a car, many states still count vehicles as assets when determining[3] eligibility for certain government assistance programs – in these states, owning even a modest car can disqualify a low-income person from receiving assistance. Forcing people to give up their vehicle to qualify for government assistance is problematic because it negatively impacts their ability to gain and retain employment, hampering their ability to become self-sufficient. In addition, many jurisdictions suspend licenses or revoke car registrations as a penalty for failing to pay parking tickets or child support, even if they simply don't have the money. Low-income families are hurt most by these policies because even a relatively small traffic ticket can be a significant cost to low-income families' budgets. This forces them to make difficult decisions between paying a ticket and putting food on the table for their family. Furthermore, having a driver license suspended for a non-driving related offense unjustly hinders employment – in addition to inflicting egregious fines on people – and can ultimately lead to criminal charges. This brief will focus on how vehicle asset limits affect Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) participants, and how license suspensions disproportionately impact low-income people.

Transportation and Employment

Access to transportation impacts employment opportunities. Recent trends show that jobs are moving farther away from where people live. A recent Brookings study found that, "between 2000 and 2012, the number of jobs within the typical commute distance for residents in major metro areas fell by 7 percent, and almost every major metro area experienced a loss of jobs in the urban core during the 2000s".[4] However, poor and minority workers are disadvantaged by a lack of proximity to suburban jobs as well. While larger percentages of poor and minority residents began moving to the suburbs in the 2000s; over the same period, their proximity to jobs fell more than Whites and non-poor suburban residents.[5] This is an indicator that even within the suburbs, low-income residents and people of color are not finding housing near employment opportunities. Moreover, when suburban areas have less robust public transit systems than cities, getting to a job that is equally distant within a city may be harder without a car in the suburbs. Proximity to employment matters, so lower-income and lower-skilled workers tend to be impacted by the cost of housing and commuting more than other groups. As a result of these barriers, the geographical distance of their job searches tends to be smaller and their commute distances are shorter.[6]

Although living close to employment does not guarantee you will qualify for nearby jobs, people who live closer to jobs are more likely to work. They also benefit from shorter job searches and shorter spells of joblessness.[7] Research also shows that proximity to employment has varying impacts on people across demographic groups: African Americans, females, and older workers tend to be more sensitive to job accessibility than workers in other demographics. Living closer to jobs increases the likelihood of working and leaving welfare.[8]

Having access to a vehicle increases one's prospect of working. Personal transportation can increase accessibility to jobs, which can increase employment.[9] In particular, research suggests that car access improves the likelihood that current and recent welfare participants will gain employment, obtain higher wages, and transition off of public assistance.[10] Personal vehicles can be a great benefit to low-income workers by enabling them to increase the distance of their job search.[11] Also, personal vehicles are generally more reliable than public transportation and give people the flexibility to work hours when public transportation is not in operation.[12] Consequently, access to private transportation is likely to increase job retention.[13] Car ownership also has the potential to increase one's credit rating, which is an important component to building a strong financial future.[14]

Vehicle Asset Limits for Benefit Programs

Historically, most means-tested programs like SNAP and TANF have had asset limits that can deny eligibility to applicants and recipients with more than modest amounts of resources including cash, vehicles, or other property. These limits were intended to ensure that only "truly needy" families, without significant savings or other assets, received public help. However, policymakers are increasingly recognizing that asset limits in general, and vehicle asset limits in particular, are counterproductive to the goal of welfare: helping families achieve economic security.[15] In general, asset limits cause people to fall deeper into poverty because they force individuals to deplete their resources and prevent them from accumulating savings.[16] Vehicle asset limits can be particularly burdensome for families, since in addition to using cars to get to work, families must also transport children to child care or school.

Under the Affordable Care Act (ACA), the federal government eliminated the Medicaid asset test for most low-income individuals and families. (Medicaid asset limits still apply for seniors and individuals with disabilities.) Under the Supplemental Security Income (SSI) program, which has rules that are set nationally, one vehicle is completely disregarded for the asset test, as long as it is used for the benefit of the recipient or a member of their household.[17] States have some flexibility in setting the vehicle asset limits for SNAP and they have complete flexibility under TANF. While most states have raised the asset limits for TANF, some have kept these limits unreasonably low.

Under SNAP regulations, states *must* disregard up to $4,650 of the value of a single car per household and may entirely disregard one vehicle per household. Yet, this limit is problematic because it has not been adjusted for inflation and has only increased $150 since 1977. If this amount had been adjusted for inflation, the vehicle asset limit would be at least $11,000.[18] In 2000, Congress provided states with the option to apply the measure used for determining vehicle asset limits under TANF in place of the federal SNAP standard, as long as the TANF measure was not more restrictive than SNAP's.[19] Forty states and the District of Columbia have adopted this option. In the remaining states, TANF has a less stringent vehicle asset limit than SNAP. There is great variation in TANF vehicle asset limits among states. For example, Colorado has no vehicle asset limit; Massachusetts set their vehicle asset limit at $15,000, and Georgia's vehicle asset limit is $4,650 if the vehicle is used for job search, or travel to work or education training, but if the vehicle is not used for those purposes, the asset limit cannot exceed $1,500. (See Table A)

Vehicle asset limits are harmful. In some cases, they can force applicants to sell their car to comply with SNAP and TANF thresholds. This can leave people without a car, lead to people losing the equity in their car, or force people to trade in for one that is less expensive and potentially less reliable and more costly to maintain.[20] Each of these scenarios put families in a worse position than if they were able to keep their car. Such a policy is unjust because it makes assumptions about people based on their vehicles; it ignores the possibility that one's car may have been obtained during a time when they were more financially stable, have been inherited, or purchased with assistance from others. Research shows that when people are forced to sell their vehicles, they become more financially vulnerable. In addition, vehicle asset limits are particularly harmful to single mothers who have lower levels of education and generally have fewer assets than the rest of the population.[21] An Urban Institute study found that "exempting at least one vehicle from the asset test increases vehicle equity for single mothers with low education by 41.2 percent or about $470".[22]

Lastly, poverty is now being recognized as a widely shared experience that most people experience at some point in their lives, instead of a static condition that only a specific group of people experience.[23] Therefore, it is best to allow people to keep their vehicles when they are facing financial difficulties, rather than making them more susceptible to poverty, stripping them of the tools they need to become financially secure, and leaving them without assets once they get back on their feet.

License and Registration Suspensions

While rigorous data are not available, widespread anecdotal evidence shows that nationally, racial minorities and lower-income earners experience a greater likelihood of having their driver licenses taken away. In the state of California, data show that the highest rates of suspensions occur in communities with high percentages of Blacks and Latinos, and high poverty rates. [24] In many cases, drivers who can afford to do so are able to avoid license suspensions by paying fines. The same offense therefore may result in one driver simply paying a fine, while another, who is unable to pay the fine immediately, has her license suspended. Moreover, drivers who cannot pay immediately typically must pay additional late payment penalties and fees to have their licenses restored.

Communities of color are being over-policed, which results in a disproportionate number of license suspensions. In comparison to their White counterparts, Black and Latino drivers are more likely to be pulled over in a traffic stop, [25] often for minor offenses, such as driving slightly over the speed limit, having a broken taillight, or not wearing a seat belt.[26] Police may use such "investigatory" traffic stops, to attempt to catch people in the process of committing other crimes. Police officers in California have reported being trained to be stringent with traffic enforcement in communities of color, but being discouraged from giving traffic citations in predominately White communities.[27] As a result, Blacks and Latinos are more likely to receive driving citations, have their vehicle towed, and have their license suspended although there isn't any documented difference in their driving behavior compared to Whites.[28] In addition to losing driving capabilities, the burden of being over-policed is extremely costly for communities of color due to fees for citations and retrieving one's car after it has been impounded. People who are unable to pay these costs can fall into a cycle of debt, license suspensions and arrests as a direct result of being over-policed. Drivers who are unable to pay their fines and decide to drive without a license face the risk of arrest and prosecution.

In addition, license suspensions are also used to reprimand people for non-driving offenses such as delinquency on child support payments, failure to pay parking tickets, minor-alcohol possession/consumption, and truancy or failure to attend school. Currently, 40 percent of all license suspensions are for non-driving related offenses.[29] People who have the money can simply pay the fine and avoid getting their license suspended. However, drivers who cannot afford these payments can become stuck in a cycle.

All 50 states have statutory or administrative provisions that restrict, suspend, or revoke licenses for failure to pay child support. Enforcement details vary by state[30]. Texas will soon begin withholding vehicle registrations of non-custodial parents who are six months or more behind on child support.[31] About 10 states[32] allow for temporary licenses if a suspension would result in undue hardship, and in many instances, to allow the individual to travel to and from work to earn money and pay the arrears.[33] However, some 40 states don't offer that exemption.

Suspending driver licenses for non-driving related offenses is problematic for a number of reasons. A 2013 American Association of Motor Vehicle Administrators report recommends that states eliminate laws requiring suspensions for non-driving related violations because they are unjust. Furthermore, such laws decrease the effectiveness of suspensions; since driver license suspensions have become the norm, people no longer take them seriously making them less effective at keeping dangerous drivers off of the road.[34]

There are many negative consequences of license suspension: additional payments, such as reinstatement fees, court costs and other penalties.[35] People without a license are unable to buy groceries, take a loved one to the doctor, apply for public assistance, or pick children up from child care. Suspending one's driver license may limit their ability to commute and sustain employment. Even if it is possible to get to a job by public transportation, it is often far more time consuming than driving, particularly when a worker needs to make stops along the way, like dropping off children at school. For workers who receive child care assistance under the Child Care and Development Block Grant (CCDBG), the additional time needed to commute by public transportation may not be covered by their subsidy.[36]

Given the significant challenges in getting to work and meeting other life responsibilities without a car, it is not surprising that many people see no choice but to continue driving even when their license has been suspended. However, they face severe consequences for driving with a suspended license, even if the license was suspended for a non-driving offense. Penalties generally involve fines, jail time or both, and can result in a criminal record.[37] In most states, driving without a license results in a misdemeanor for a first offense. Depending on the state, the penalty can be up to a year in prison and subsequent offenses can include up to $5,000 in fines.[38]

Driver licenses are important because in some industries –such as construction, manufacturing, security, electrical services and plumbing– they are needed to qualify for a job.[39] It is understandable to require driver licenses for positions that involve driving, but licenses may also be required for non-driving positions such as office and food prep positions.[40] To some employers, licenses are viewed as evidence that a future employee is responsible.[41] Therefore, people who are able to legally drive are more likely to have stable employment.[42]

The Motor Vehicles Affordability and Fairness Task Force, which was created by a New Jersey statute to study the negative impact of license revocation for "social non-conformance" offenses, found 42 percent of New Jersey drivers lost their job after their license was revoked. Of those drivers, 45 percent were unable to obtain a new job, and of those that did, 88 percent reported a decrease in income.[43] These results are not an anomaly, and license suspensions and revocations negatively impact people nationwide. Furthermore, license revocations and suspensions create a ripple effect that impacts employees and employers through lower wages, fewer hiring choices, and an overall negative impact on communities as a whole.[44]

Conclusion

Vehicle asset limits and driver license suspensions, especially for social non-conformance offenses, can be harmful to people trying to overcome poverty. Vehicle asset limits should be eliminated altogether from public benefit programs. In addition, action needs to be taken to insure that communities of color and low-income communities are not unjustly targeted for traffic stops. Lastly, people should not be subject to suspensions for offenses that are unrelated to driving safety. In situations where people are at risk of having their license revoked for inability to pay court fines and fees, courts should establish reasonable payment plans and alternatives.[45]

Asset Limits				
State	**TANF Asset Limit Applicant & Recipient**	**TANF Vehicle Exemptions**	**SNAP Asset Limit Applicant & Recipient**	**SNAP Vehicle Exemptions**
Alabama	**No Limit**	All vehicles owned by household	**No Limit**[l]	-
Alaska	$2,000/$3,000 [a]	All vehicles owned by household	Federal standard[m]	At least one vehicle excluded
Arizona	$2,000	All vehicles owned by household	**No Limit**	-
Arkansas	$3,000	One vehicle per household	Federal standard[m]	At least one vehicle excluded
California	$2,250/$3,250	$9,500/One vehicle per licensed driver	**No Limit**	-
Colorado	**No Limit**	No Limit	**No Limit**[l]	-
Connecticut	$3,000	$9,500	**No Limit**	-
Delaware	$10,000	All vehicles owned by household	**No Limit**	-
District of Columbia	$2,000/$3,000[a]	All vehicles owned by household	**No Limit**	-
Florida	$2,000	$8,500	**No Limit**	-
Georgia	$1,000	$1,500/$4,650	**No Limit**[l]	-
Hawaii	**No Limit**	All vehicles owned by household	**No Limit**	-
Idaho	$5,000	One vehicle per adult	$5,000[d]	At least one vehicle excluded
Illinois	**No Limit**	All vehicles owned by household	**No Limit**[l]	-
Indiana	$1,000[b]	$5,000	Federal standard[m]	At least one vehicle excluded
Iowa	$2,000[c]	One vehicle per household	**No Limit**	-
Kansas	$2,000	All vehicles owned by household	Federal standard[m]	At least one vehicle excluded
Kentucky	$2,000	All vehicles owned by household	**No Limit**[l]	-
Louisiana	**No Limit**	All vehicles owned by household	**No Limit**	All vehicles excluded
Maine	$2,000	One vehicle per household	$5,000[d]	At least one vehicle excluded
Maryland	**No Limit**	All vehicles owned by household	**No Limit**	-
Massachusetts	$2,500	$15,000	**No Limit**[l]	-
Michigan	$3,000	All vehicles owned by household	$5,000[d]	At least one vehicle excluded
Minnesota	$10,000	One vehicle per person	**No Limit**	-
Mississippi	$2,000	All vehicles owned by household	**No Limit**	-
Missouri	$1,000[f]	One vehicle per household	Federal standard[m]	All vehicles excluded
Montana	$3,000	One vehicle per household	**No Limit**	-
Nebraska	$4,000/$6,000 [g]	One vehicle per household	$25,000 in liquid assets[d]	At least one vehicle excluded
Nevada	$6,000	One vehicle per household	**No Limit**	-
New Hampshire	$1,000[h]	One vehicle per licensed driver	**No Limit**[o]	At least one vehicle excluded
New Jersey	$2,000	All vehicles owned by household	**No Limit**	-
New Mexico	$3,500[e]	All vehicles owned by household	**No Limit**	-
New York	$2,000/$3,000[a]	$10,000[p]	**No Limit**[q]	All vehicles excluded
North Carolina	$3,000	All vehicles owned by household	**No Limit**	-
North Dakota	$3,000/$6,000/+$25[i]	One vehicle per household	**No Limit**	-
Ohio	**No Limit**	All vehicles owned by household	**No Limit**[l]	-
Oklahoma	$1,000	$5,000	**No Limit**	-
Oregon	$2,500[j]	$10,000 of vehicles owned by household	**No Limit**	-
Pennsylvania	$1,000	One vehicle per household	**No Limit**[l]	-
Rhode Island	$1,000	One vehicle per adult	**No Limit**[l]	-
South Carolina	$2,500	One vehicle per licensed driver	**No Limit**[l]	-
South Dakota	$2,000	One vehicle per household	Federal standard[m]	At least one vehicle excluded
Tennessee	$2,000	$4,600	Federal standard[m]	All vehicles excluded
Texas	$1,000	$4,650 per vehicle owned by household	$5,000[d]	At least one vehicle excluded
Utah	$2,000	All vehicles owned by household	Federal standard[m]	All vehicles excluded
Vermont	$2,000	One vehicle per adult	**No Limit**	-
Virginia	**No Limit**	All vehicles owned by household	Federal standard[m]	All vehicles excluded
Washington	$1,000	$5,000	**No Limit**	-
West Virginia	$2,000	One vehicle per household	**No limit**[l]	-
Wisconsin	$2,500	$10,000	**No Limit**	-
Wyoming	$2,500	One vehicle per household[k]	Federal standard[m]	All vehicles excluded

Table A

Additional details on TANF asset limits may be found at the Welfare Rules Database Project website, http://wrd.urban.org/wrd/query/query.cfm.
Additional details on SNAP asset limits and BBCE may be found at http://www.fns.usda.gov/sites/default/files/snap/BBCE.pdf.
Additional details on SNAP vehicle limits may be found at http://www.fns.usda.gov/sites/default/files/snap/12-State_Options.pdf

Note: FNS State Options Report shows vehicle exclusion policies for all states; however these policies are not relevant in states that have eliminated the asset limit entirely using broad-based categorical eligibility
Note: “No Limit” indicates a state does not place a limit on the amount of assets that can be held by the unit. For SNAP, "No Limit" is for categorically eligible households. Non-categorically eligible households are subject to the federal standard.

a Units including an elderly person may exempt $3,000; all other units exempt $2,000.
b Applicant asset limit is $1,000. Recipient asset limit is $1,500.
c Applicant asset limit is $2,000. Recipient asset limit is $5,000.
d These states have implemented BBCE but have not eliminated their asset limit.
e New Mexico allows $1,500 in liquid resources and $2,000 in illiquid
f Applicant asset limit is $1,000. Recipient asset limit is $5,000.
g The asset limit is based on unit size: one person receives $4,000, and two or more people receive $6,000.
h Applicant asset limit is $1,000. Recipient asset limit is $2,000.
i The asset limit is based on unit size: one person receives $3,000, two people receive $6,000, and another $25 is allowed for each additional person thereafter.
j Applicant asset limit is $2,500. Recipient asset limit is $10,000.
k This exemption applies to a single-parent unit. Two vehicles are exempt for a married couple.
l In these States, households with seniors or people with disabilities and gross income under 200 percent of poverty do not face an asset limit. Those over 200 percent of poverty are not categorically eligible and do face a $3,250 asset limit.
m The federal standard is $2,250 in countable resources or $3,250 in countable resources if at least one person is age 60 or older, or is disabled.
n Louisiana exempts certain applicants and recipients from the asset test if they receive governmental benefits from certain programs but does not exempt all applicants and recipients from the asset test.
o New Hampshire households may be considered eligible for the Expanded Categorical Food Stamp Program if the household is not already categorically eligible due to receipt of public assistance or SSI, when: there is at least one Food Stamp household member who is a dependent child; there is at least one Food Stamp household member who is a specified relative to that dependent child; and the household’s gross income is less than or equal to 185% of the federal poverty income guidelines. Households meeting expanded categorical eligibility criteria are not subject to the resource test.
p The TANF vehicle asset limit will increase to $11,000 starting April 1, 2017 and $12,000 starting April 1, 2018

q New York households with dependent care expenses are eligible and households with earned income are exempt from the asset test through categorical eligibility.

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