

**Table 1**  
**Tax Rates in the DI Program Under Current Law and Strict SGA programs,**  
**By Wage Level and Hours of Work <sup>1</sup>**  
**(Percent)**

	<i>Marginal Tax Rate (%)</i> <sup>2</sup>			<i>Average Tax Rate (%)</i> <sup>3</sup>		
	10 hrs	20 hrs	40 hrs	10 hrs	20 hrs	40 hrs
<u>Low Wage Worker</u>						
Current Law	0	124	32	0	62	47
Strict SGA	0	124	67	0	62	65
<u>Medium Wage Worker</u>						
Current Law	0	174	0	0	87	44
Strict SGA	0	240	0	0	120	60
<u>High Wage Worker</u>						
Current Law	150	0	0	150	75	37
Strict SGA	206	0	0	206	103	52

Notes:

1. Results of simulation over 57 month period. See text for details.
2. Marginal tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the prior level.
3. Average tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the no work choice.

**Table 2**  
**Tax Rates in the DI Program Under Current Law and Proposed DI Reforms,**  
**By Wage Level and Hours of Work <sup>1</sup>**  
**(Percent)**

	<i>Marginal Tax Rate (%)</i> <sup>2</sup>			<i>Average Tax Rate (%)</i> <sup>3</sup>		
	10 hrs	20 hrs	40 hrs	10 hrs	20 hrs	40 hrs
<u>Low Wage Worker</u>						
1. Current Law	0	124	32	0	62	47
2. Index SGA	0	0	94	0	0	47
3. 50% MTR over SGA	0	0	31	0	0	15
4. 50% MTR over \$85	24	36	36	24	30	33
5. Extend TWP 12 months	0	118	0	0	59	30
<u>Medium Wage Worker</u>						
1. Current Law	0	174	0	0	87	44
2. Index SGA	0	174	0	0	87	44
3. 50% MTR over SGA	0	23	36	0	12	24
4. 50% MTR over \$85	29	36	36	29	33	35
5. Extend TWP 12 months	0	110	0	0	55	27
<u>High Wage Worker</u>						
1. Current Law	150	0	0	150	75	37
2. Index SGA	150	0	0	150	75	37
3. 50% MTR over SGA	3	36	36	3	20	28
4. 50% MTR over \$85	32	36	36	32	34	35
5. Extend TWP 12 months	94	0	0	94	47	24

Notes:

1. Results of simulation over 57 month period. See text for details.
2. Marginal tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the prior level.
3. Average tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the no work choice.

**Table 3**  
**Tax Rates in the DI Program Under Current Law and Non-DI Reforms,**  
*By Wage Level and Hours of Work*<sup>1</sup>  
**(Percent)**

	<i>Marginal Tax Rate (%)</i> <sup>2</sup>			<i>Average Tax Rate (%)</i> <sup>3</sup>		
	10 hrs	20 hrs	40 hrs	10 hrs	20 hrs	40 hrs
<u>Low Wage Worker</u>						
1. Current Law	0	124	32	0	62	47
2. Earnings Subsidy for All	-34	154	-5	-34	60	27
3. Earnings Subsidy for Non-DI Recipients Only	0	91	20	0	46	33
<u>Medium Wage Worker</u>						
1. Current Law	0	174	0	0	87	44
2. Earnings Subsidy for All	140	-12	12	140	64	38
3. Earnings Subsidy for Non-DI Recipients Only	0	140	9	0	70	39
<u>High Wage Worker</u>						
1. Current Law	150	0	0	150	75	37
2. Earnings Subsidy for All	119	5	13	119	62	37
3. Earnings Subsidy for Non-DI Recipients Only	127	4	9	127	66	37

Notes:

1. Results of simulation over 57 month period. See text for details.
2. Marginal tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the prior level.
3. Average tax rates are calculated as one minus the change in income over the change in earnings resulting from increasing hours of work from the no work choice.

**Table 4**  
**Percent Change in Income from Leaving DI under Current Law and Alternative Policies**  
*Medium Wage Recipient*<sup>1</sup>

	<i>Percent Change in Income by hours worked:</i> <sup>2</sup>			
	20 hrs.	40 hrs.	0-20 hrs.	20-40 hrs.
Current Law	0	0	-10	48
Strict SGA	0	0	-10	61
<u>DI Reforms:</u>				
Index SGA	0	0	-10	48
50% MTR over SGA	-33	-13	-10	-1
50% MTR over \$85	-26	-7	-10	9
Extend TWP by 12 months	-17	-11	-10	22
<u>Reforms outside DI:</u>				
Earnings Subsidy	0	0	2	36
Earnings Subsidy, non-DI Recipients Only	0	0	2	38

Notes:

1. The recipient is assumed to leave DI after two years on the program. Under current law (and given our one year recuperation period) this occurs at the end of the trial work period (TWP). For comparability, when we simulated extending the TWP we still consider an exit from the program after two years. All simulations cover a 57 month period.
2. The scenarios in the first two columns assume that the worker does not change their hours of work when they leave DI. In the last two columns, the worker is assumed to increase hours worked when they leave the program, to the levels given.

**Table 5**  
**Percent Change in Income from Entering DI under Current Law and Alternative Policies**  
**Medium Wage Recipient <sup>1</sup>**

	<i>Percent Change in Income by hours worked: <sup>2</sup></i>			
	20 hrs.	40 hrs.	20-0 hrs.	40-20 hrs.
Current Law	52	26	39	-24
Strict SGA	19	10	39	-40
<u>DI Reforms:</u>				
Index SGA	52	26	39	-24
50% MTR over SGA	128	46	39	14
50% MTR over \$85	107	35	39	3
Extend TWP by 12 months	85	42	39	-8
<u>Reforms outside DI:</u>				
Earnings Subsidy	42	25	13	-17
Earnings Subsidy, non-DI Recipients Only	37	23	13	-20

Notes:

1. These calculations compare total income over the five year simulation period with and without DI benefits. The DI reforms only affect income opportunities on DI, but the non-DI reforms may affect both income on and off DI.
2. The scenarios in the first two columns assume that the worker does not change their hours of work when they enter DI. In the last two columns, the worker is assumed to decrease hours worked when they enter the program, to the levels given.

**Table A-1**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*Current Law*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$27,498	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$41,234	0%	0%
20 hours	\$18,314	\$16,153	\$34,467	248%	62%
40 hours	\$36,628	\$10,323	\$46,951	32%	47%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$43,444	\$59,030	0%	0%
15 hours	\$23,378	\$16,310	\$39,688	348%	116%
20 hours	\$31,171	\$16,310	\$47,481	0%	87%
40 hours	\$62,342	\$16,310	\$78,652	0%	44%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$21,018	\$44,396	150%	150%
15 hours	\$35,068	\$21,018	\$56,085	0%	100%
20 hours	\$46,757	\$21,018	\$67,774	0%	75%
40 hours	\$93,514	\$21,018	\$114,531	0%	37%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-2**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*Strict SGA Program*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$27,498	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$41,234	0%	0%
20 hours	\$18,314	\$16,153	\$34,467	248%	62%
40 hours	\$36,628	\$3,841	\$40,469	67%	65%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$43,444	\$59,030	0%	0%
15 hours	\$23,378	\$6,069	\$29,447	480%	160%
20 hours	\$31,171	\$6,069	\$37,240	0%	120%
40 hours	\$62,342	\$6,069	\$68,411	0%	60%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$7,820	\$31,199	206%	206%
15 hours	\$35,068	\$7,820	\$42,888	0%	137%
20 hours	\$46,757	\$7,820	\$54,577	0%	103%
40 hours	\$93,514	\$7,820	\$101,334	0%	52%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-3**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*DI Reform: Index SGA*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$27,498	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$41,234	0%	0%
20 hours	\$18,314	\$27,498	\$45,812	0%	0%
40 hours	\$36,628	\$10,323	\$46,951	94%	47%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$43,444	\$59,030	0%	0%
15 hours	\$23,378	\$16,310	\$39,688	348%	116%
20 hours	\$31,171	\$16,310	\$47,481	0%	87%
40 hours	\$62,342	\$16,310	\$78,652	0%	44%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$21,018	\$44,396	150%	150%
15 hours	\$35,068	\$21,018	\$56,085	0%	100%
20 hours	\$46,757	\$21,018	\$67,774	0%	75%
40 hours	\$93,514	\$21,018	\$114,531	0%	37%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.



**Table A-4**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*DI Reform: 50% MTR over SGA*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$27,498	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$41,234	0%	0%
20 hours	\$18,314	\$27,498	\$45,812	0%	0%
40 hours	\$36,628	\$21,911	\$58,539	31%	15%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$43,444	\$59,030	0%	0%
15 hours	\$23,378	\$42,667	\$66,045	10%	3%
20 hours	\$31,171	\$39,838	\$71,009	36%	12%
40 hours	\$62,342	\$28,523	\$90,865	36%	24%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$55,206	\$78,585	3%	3%
15 hours	\$35,068	\$50,963	\$86,031	36%	14%
20 hours	\$46,757	\$46,720	\$93,477	36%	20%
40 hours	\$93,514	\$29,747	\$123,261	36%	28%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-5**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*DI Reform: 50% MTR over \$85*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$25,281	\$34,438	24%	24%
15 hours	\$13,736	\$23,619	\$37,355	36%	28%
20 hours	\$18,314	\$21,957	\$40,271	36%	30%
40 hours	\$36,628	\$15,309	\$51,937	36%	33%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$38,893	\$54,479	29%	29%
15 hours	\$23,378	\$36,065	\$59,443	36%	32%
20 hours	\$31,171	\$33,236	\$64,407	36%	33%
40 hours	\$62,342	\$21,921	\$84,263	36%	35%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$48,604	\$71,983	32%	32%
15 hours	\$35,068	\$44,361	\$79,429	36%	33%
20 hours	\$46,757	\$40,118	\$86,875	36%	34%
40 hours	\$93,514	\$23,145	\$116,659	36%	35%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-6**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*DI Reform: Extend TWP*

	Earnings	Benefits	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>					
0 hours	\$0	\$27,498	\$27,498		
10 hours	\$9,157	\$27,498	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$41,234	0%	0%
20 hours	\$18,314	\$16,678	\$34,992	236%	59%
40 hours	\$36,628	\$16,678	\$53,306	0%	30%
<i>Medium Wage Worker</i>					
0 hours	\$0	\$43,444	\$43,444		
10 hours	\$15,586	\$43,444	\$59,030	0%	0%
15 hours	\$23,378	\$26,349	\$49,728	219%	73%
20 hours	\$31,171	\$26,349	\$57,520	0%	55%
40 hours	\$62,342	\$26,349	\$88,692	0%	27%
<i>High Wage Worker</i>					
0 hours	\$0	\$55,984	\$55,984		
10 hours	\$23,378	\$33,955	\$57,333	94%	94%
15 hours	\$35,068	\$33,955	\$69,022	0%	63%
20 hours	\$46,757	\$33,955	\$80,711	0%	47%
40 hours	\$93,514	\$33,955	\$127,468	0%	24%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-7**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*Non-DI Reform: Earnings Subsidy for All Disabled Workers*

	Earnings	Benefits	Earnings Subsidy	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>						
0 hours	\$0	\$27,498	\$0	\$27,498		
10 hours	\$9,157	\$27,498	\$3,113	\$39,769	-34%	-34%
15 hours	\$13,736	\$15,628	\$4,670	\$34,033	225%	52%
20 hours	\$18,314	\$10,323	\$6,227	\$34,864	82%	60%
40 hours	\$36,628	\$10,323	\$7,220	\$54,172	-5%	27%
<i>Medium Wage Worker</i>						
0 hours	\$0	\$43,444	\$0	\$43,444		
10 hours	\$15,586	\$16,310	\$5,299	\$37,195	140%	140%
15 hours	\$23,378	\$16,310	\$7,220	\$46,909	-25%	85%
20 hours	\$31,171	\$16,310	\$7,220	\$54,701	0%	64%
40 hours	\$62,342	\$16,310	\$3,479	\$82,132	12%	38%
<i>High Wage Worker</i>						
0 hours	\$0	\$55,984	\$0	\$55,984		
10 hours	\$23,378	\$21,018	\$7,220	\$51,616	119%	119%
15 hours	\$35,068	\$21,018	\$7,220	\$63,305	0%	79%
20 hours	\$46,757	\$21,018	\$5,970	\$73,744	11%	62%
40 hours	\$93,514	\$21,018	\$0	\$114,531	13%	37%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.

**Table A-8**  
**Earnings, Income and Tax Rates in the DI Program <sup>1</sup>**  
*Non-DI Reform: Earnings Subsidy for non-DI Recipients*

	Earnings	Benefits	Earnings Subsidy	Net Income	Marginal Tax Rate (%)	Average Tax rate (%)
<i>Low Wage Worker</i>						
0 hours	\$0	\$27,498	\$0	\$27,498		
10 hours	\$9,157	\$27,498	\$0	\$36,655	0%	0%
15 hours	\$13,736	\$27,498	\$0	\$41,234	0%	0%
20 hours	\$18,314	\$16,153	\$2,986	\$37,453	183%	46%
40 hours	\$36,628	\$10,323	\$5,242	\$52,193	20%	33%
<i>Medium Wage Worker</i>						
0 hours	\$0	\$43,444	\$0	\$43,444		
10 hours	\$15,586	\$43,444	\$0	\$59,030	0%	0%
15 hours	\$23,378	\$16,310	\$5,242	\$44,930	281%	94%
20 hours	\$31,171	\$16,310	\$5,242	\$52,723	0%	70%
40 hours	\$62,342	\$16,310	\$2,526	\$81,178	9%	39%
<i>High Wage Worker</i>						
0 hours	\$0	\$55,984	\$0	\$55,984		
10 hours	\$23,378	\$21,018	\$5,242	\$49,638	127%	127%
15 hours	\$35,068	\$21,018	\$5,242	\$61,327	0%	85%
20 hours	\$46,757	\$21,018	\$4,334	\$72,109	8%	66%
40 hours	\$93,514	\$21,018	\$0	\$114,531	9%	37%

Notes:

1. Results of simulation over 57 month period starting in 1994. Earnings, income and benefits are the present discounted value of the stream over the simulation period. See text for details.