

# Basic Needs Budgets and the Minimum Wage



Prepared by the Joint Fiscal Office  
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Prepared by the  
Vermont Joint Fiscal Office

## **Background**

Act 119 of the 2000 session of the General Assembly requires the Joint Fiscal Office to perform the following tasks and report to the legislature each January 15 from 2001 through 2004:

- Report changes in the federal minimum wage and in the minimum wage rates of surrounding and comparable states
- Review current state wage distributions
- Prepare basic needs budgets using the methodology of the report prepared for the livable income study committee issued on November 19, 1999.

This document contains the findings of the fourth annual report of the Joint Fiscal Office.<sup>1</sup>

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<sup>1</sup> Thus report is available on the Joint Fiscal Office web site: [www.leg.state.vt.us/jfo](http://www.leg.state.vt.us/jfo)

## Minimum Wage

A thirteen year history of the federal and Vermont minimum wage rates is given in Table 1.

**Table 1: Comparison of Federal and Vermont Minimum Wage**

<b>Year</b>	<b>Federal</b>	<b>Vermont</b>
1991	\$4.25	\$3.95
1992	4.25	3.95
1993	4.25	3.95
1994	4.25	3.95
1995	4.25	4.50
1996	4.75	4.75
1997	5.15	5.00
1998	5.15	5.25
1999	5.15	5.75
2000	5.15	6.25
2001	5.15	6.25
2002	5.15	6.25
2003	5.15	6.25

A comparison of the Vermont minimum wage to the minimum wage of surrounding states is shown in Table 2.

**Table 2: Minimum Wage in Effect as of January 1, 2003**

<b>State</b>	<b>Minimum Wage</b>	<b>% Difference from Average of Selected States</b>	<b>% Difference from Federal</b>
Connecticut	\$6.90	13.3%	34.0%
Maine	6.25	2.6%	21.4%
Massachusetts	6.75	10.8%	31.1%
New Hampshire	5.15	-15.4%	0.0%
New York	5.15	-15.4%	0.0%
Rhode Island	6.15	1.0%	19.4%
Vermont	6.25	2.6%	21.4%
Avg. of Selected States	6.09	0.0%	18.3%
Federal	5.15	-15.4%	0.0%

## State Wage Distributions

The average annual wage distribution is shown in Table 3.

**Table 3: Average Annual Wage by Vermont County\***

County	1999	2000	2001	2002
Addison	\$26,032	\$27,015	\$28,502	\$29,565
Bennington	24,628	25,457	27,037	27,911
Caledonia	22,631	23,617	24,385	25,524
Chittenden	32,896	34,301	35,583	36,342
Essex	24,815	24,694	25,510	25,968
Franklin	25,017	26,390	27,362	28,703
Grand Isle	19,317	20,624	21,395	21,388
Lamoille	20,833	21,829	23,562	24,496
Orange	22,606	23,240	24,775	25,507
Orleans	21,956	23,177	23,971	24,517
Rutland	25,202	26,570	27,894	28,677
Washington	26,825	28,306	29,820	30,472
Windham	26,782	27,888	29,229	30,916
Windsor	25,829	27,421	28,047	29,053

\* Source: Vermont Department of Employment and Training

## **Basic Needs Budgets**

### **Methodology:**

Act 119 requires the Joint Fiscal Office to utilize the same methodology developed by the consultants for the Livable Income Study Committee Report of November 1999.

The process used by the Joint Fiscal Office in updating the Basic Needs Budgets is as follows:

- Start with the budgets prepared by the 1999 consulting team
- Gather the most recent data from the same sources used by the consulting team<sup>2</sup>
- Apply the methodology for data handling that was used by the consulting team

Using the most recent available information, the first Joint Fiscal Office update was based on tax year 1999, the second was based on 2000, the third report was based 2001. This fourth report is based on tax year 2002.

A total of six household configurations are represented in the Basic Needs Budgets. Each configuration contains a budget for urban vs. rural environments. Further, each sub-configuration contains budgets for (a) no employer assistance with health care and a moderate cost USDA food plan, (b) employer assistance with health care and a moderate cost food plan, and (c) employer assistance with health care and a low cost food plan. Thus a total of 36 budget scenarios are contained in this report.

The findings of the Joint Fiscal Office are summarized and compared to the original consultant's budgets in Table 4. Charts 1 through 6 graphically display the data contained in Table 4.

Table 5 shows the composite average annual basic need wage for each household configuration for each year (1998-2002). Table 6 summarizes the average annual percent change in basic need wages from 1998 to 2002. Table 7 summarizes the total after tax income needed in 2002 for each household configuration.

Tables 8A through 8F contain the specific details of each budget scenario.

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<sup>2</sup> The consultant's sources and methodology are contained in Appendix 1A of the 1999 report to the Livable Income Study Committee and may be downloaded from the Joint Fiscal Office web site: [www.leg.state.vt.us/jfo](http://www.leg.state.vt.us/jfo).

## Comments:

In a departure from previous reports, we believe that this latest update of Basic Needs Budgets requires some explanation for the rather significant differences from past budgets.

*First*, the federal tax reductions that took effect in 2002 reduced the hourly wage needed to obtain the basic needs. For a couple filing a joint return, the tax rate in 2001 was 15% of taxable income up to \$45,200. However, in 2002 a new 10% bracket was created. For the same couple, the tax rate became 10% of taxable income up to \$12,000 and 15% for the excess over \$12,000 up to \$46,700. Moreover, the standard deduction increased from \$7,600 to \$7,850 and the personal exemption allowance increased from \$2,900 to \$3,000.

Thus, a married couple with no dependents could earn up to \$60,550 and still be subject to a top marginal tax rate of 15%. Finally, the maximum earned income credit increased from \$4,008 in 2001 to \$4,140 in 2002 and benefits that terminated at \$32,121 in 2001 were extended to incomes up to \$33,150 in 2002. The effect these changes was to reduce the hourly wage needed to obtain basic needs by 20 to 40 cents per hour, depending upon household configuration.

*Second*, several components of the basic needs budgets are dependent upon survey data. Some, like the Consumer Expenditure Survey are revised annually, however, others are not. A key change in this report is the U.S. Department of Transportation (DOT) survey of miles driven for personal transportation. This survey is conducted once every five years. For the past three years, the Joint Fiscal Office has used the 1995 survey as a starting point and applied the most recent Internal Revenue Service mileage reimbursement rate in order to arrive at transportation costs.

The DOT conducted a new survey based on 2001 travel patterns and released the results late in calendar year 2002. This latest survey displays data differently and in much greater detail. Indeed, the survey contains information on miles driven per person by household income group. This data refinement is superior to previous DOT surveys which relied upon averages. However, for our purposes, the new information resulted in a major restructuring of transportation costs. Depending upon household configuration, the hourly wage needed to obtain basic needs declined by as much as \$0.75 or increased by as much as \$1.12.

Clearly, the 1995 survey was (a) significantly out of date, and (b) masked differences between income levels because of the use of averages. The effect was to artificially inflate the transportation costs of some households while under valuing the costs to other households.

*Third*, the cost of day care is derived from a market rate study conducted by the Department of Social and Rehabilitation Services (SRS). As with transportation, this study is not conducted annually. The new market rate study that was released in January

2003 represented the first update in three years and resulted in an increase of up to \$0.47 per hour in the wage needed to obtain basic needs.

*Finally*, while all health care costs are continually rising, the individual non-group market has been particularly volatile. As an example, in 1999 Nationwide Insurance offered an indemnity plan with a \$500 deductible for \$235.16 per month (single person). The next year Nationwide no longer offered a policy in this market.

The only comparable plan was offered by Mutual of Omaha. For a single person, the deductible increased to \$3,500 and the premium declined to \$108.44 (the Joint Fiscal Office made suitable adjustments in out-of-pocket expense). Now in 2002 Mutual of Omaha no longer offers a policy in this market.

Only Blue Cross and Blue Shield offers a comparable plan. For a single person, the deductible is \$3,000 and the premium has increased to \$284.33. These changes make for stark differences in the basic needs budgets between those with no group health care plan, where the required wage increased by up to \$2.63 per hour, and those having assistance from an employer, where the required wage increased by \$0.06 per hour.

## **Summary:**

When all the updates were complete the *average* wage needed to obtain basic needs increased between \$0.34 and \$2.79 per hour to a new *average* high of \$18.39 per hour for each working person. The total required annual income ranges from \$19,986 (for a single person with no children living in a rural environment on a low cost food plan whose employer provides group health care coverage), to \$88,205 (for two working people with two children living in an urban environment on a moderate cost food plan who purchase non-group health care coverage).

This rather extraordinary annual income of \$88,205 appears to far exceed the concept of “basic needs”. Much of the cost is driven by the estimated \$1,383 per month health care expense. At this level of cost, it is arguable that a “real life” family would not purchase an expensive non-group policy with a \$3,000 deductible.

Indeed, young healthy people are high unlikely to need \$16,596 per year in medical attention. Rather, they might choose to forego the insurance and budget \$600 per month for health care (the estimated out of pocket component). However, the Joint Fiscal Office is required by law to use the same methodology that was used for the original 1998 budgets. Accordingly, we present these budgets assuming that, if a household does not have access to group coverage, the household will pay the premium for a non-group health care plan plus the inevitable out of pocket expense.

Table 4: Comparison of Basic Needs Budgets: 1998-2002

		<b>Urban</b>			<b>Rural</b>			
		A	B	C	A	B	C	
		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	
		Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Annual
		Moderate cost Food Plan		Low Cost Plan	Moderate cost Food Plan		Low Cost Plan	Average
<b>Single + 0</b>	1998	11.65	10.62	9.48	11.39	10.37	9.29	10.47
	1999	11.68	9.90	8.79	11.42	9.70	8.60	10.01
	2000	12.68	10.93	9.73	12.38	10.70	9.57	11.00
	2001	13.49	11.67	10.44	13.24	11.48	10.33	11.78
	2002	15.42	11.92	10.66	14.04	11.05	9.61	12.12
<b>Single + 1</b>	1998	19.06	16.37	14.56	18.09	15.40	13.64	16.19
	1999	20.49	16.75	14.91	19.11	15.37	13.60	16.71
	2000	23.15	18.75	16.77	21.48	17.17	15.28	18.77
	2001	23.29	18.72	16.74	21.75	17.18	15.28	18.83
	2002	27.96	19.94	17.76	25.14	17.72	15.64	20.69
<b>Single +2</b>	1998	23.81	19.61	17.13	22.61	18.54	16.11	19.63
	1999	25.61	19.89	17.38	23.53	18.24	15.81	20.08
	2000	29.23	22.03	19.36	26.87	20.19	17.61	22.55
	2001	29.98	22.40	19.70	27.69	20.59	17.98	23.06
	2002	36.09	23.87	21.09	33.64	21.60	18.80	25.85

Table 4: Comparison of Basic Needs Budgets: 1998-2002 (continued)

		<b>Urban</b>				<b>Rural</b>			
		A	B	C		A	B	C	
		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	
		Cost/Mo.	Cost/Mo.	Cost/Mo.		Cost/Mo.	Cost/Mo.	Cost/Mo.	Annual
		Moderate cost Food Plan		Low Cost Plan		Moderate cost Food Plan		Low Cost Plan	Average
<b>Two + 0 (2 WKG)</b>	1998	9.32	8.10	7.03		9.48	8.26	7.18	8.23
	1999	9.81	8.38	7.32		9.97	8.55	7.48	8.58
	2000	10.61	8.85	7.75		10.77	9.02	7.90	9.15
	2001	11.20	9.39	8.26		11.41	9.60	8.46	9.72
	2002	12.79	9.75	8.37		12.32	9.18	7.93	10.06
<b>Two + 2 (1 WKG)</b>	1998	23.81	20.08	17.08		23.58	19.85	16.86	20.21
	1999	24.46	20.46	17.41		24.25	20.25	17.21	20.67
	2000	27.25	21.60	18.42		26.60	20.96	17.81	22.10
	2001	28.96	23.04	19.79		28.37	22.45	19.23	23.64
	2002	34.17	24.16	20.85		32.47	22.58	19.33	25.59
<b>Two + 2 (2 WKG)</b>	1998	14.34	12.47	10.84		14.09	12.23	10.60	12.43
	1999	15.08	13.00	11.32		14.47	12.47	10.82	12.86
	2000	16.90	13.66	11.92		16.12	13.05	11.34	13.83
	2001	17.75	14.31	12.53		17.03	13.74	11.99	14.56
	2002	21.20	15.31	13.43		19.76	14.13	12.23	16.01

**Table 5: Average Annual Basic Need Wage: 1998 – 2002**  
 (urban and rural, with and without employer assisted health care)

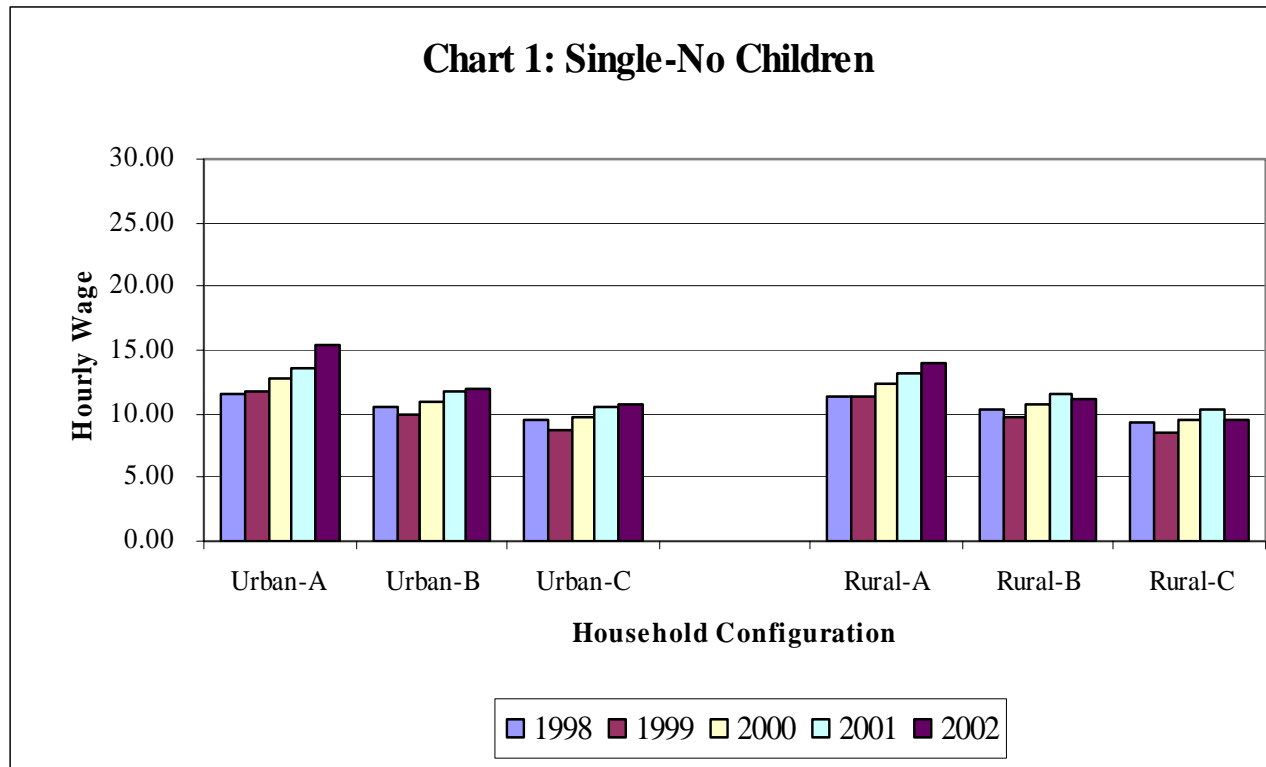
Household Configuration	1998	1999	2000	2001	2002	Average Annual % Change
Single, no children	10.47	10.01	11.00	11.78	12.12	3.94%
Single, one child	16.19	16.71	18.77	18.83	20.69	6.96%
Single, two children	19.63	20.08	22.55	23.06	25.85	7.91%
Couple, (2 working), no children	8.23	8.58	9.15	9.72	10.06	5.56%
Couple (1 working), two children	20.21	20.67	22.10	23.64	25.59	6.66%
Couple (2 working), two children	12.43	12.86	13.83	14.56	16.01	7.20%
All Family Configurations	14.53	14.82	16.23	16.93	18.39	6.64%

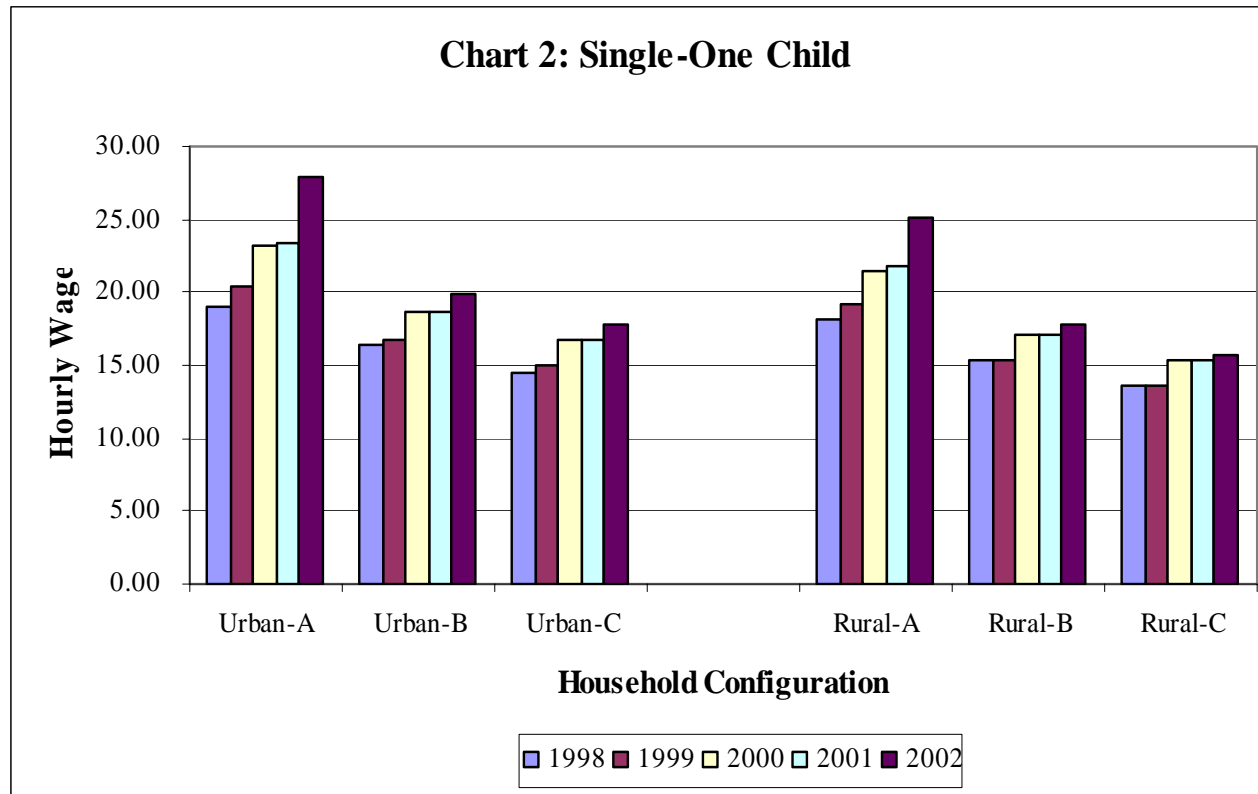
**Table 6: Average Annual Percent Change in Basic Need Wages: 1998 – 2002**  
(specific to household configuration)

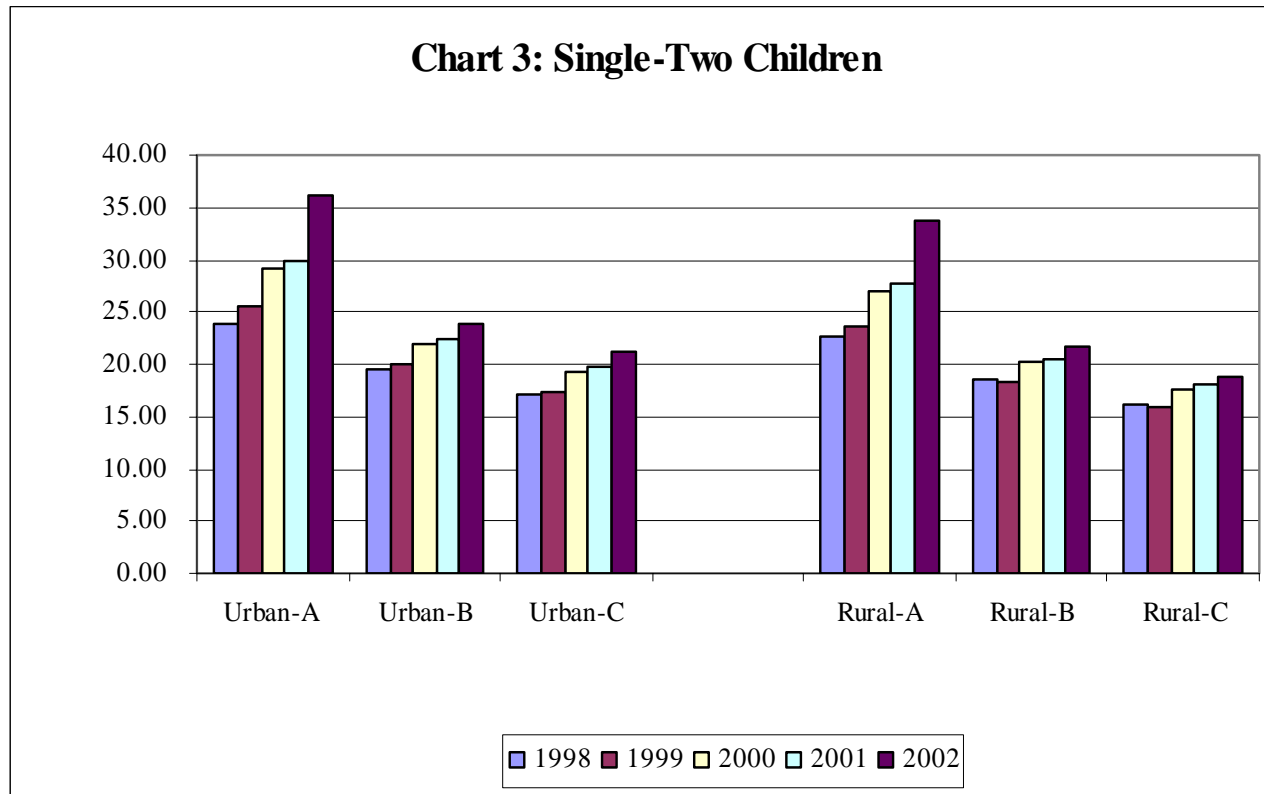
		<b>Urban</b>			<b>Rural</b>		
		A	B	C	A	B	C
		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
		Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.
		Moderate cost Food Plan		Low Cost Plan	Moderate cost Food Plan		Low Cost Plan
Single + 0		8.09%	3.06%	3.10%	5.83%	1.64%	0.86%
Single + 1		11.66%	5.44%	5.49%	9.74%	3.77%	3.67%
Single + 2		12.90%	5.42%	5.78%	12.20%	4.12%	4.18%
Two + 0 (2 WKG)		9.29%	5.09%	4.79%	7.49%	2.78%	2.62%
Two + 2 (1 WKG)		10.87%	5.07%	5.53%	9.42%	3.44%	3.67%
Two + 2 (2 WKG)		11.97%	5.69%	5.98%	10.05%	3.88%	3.84%
All Family Configurations		10.80%	4.96%	5.11%	9.12%	3.27%	3.14%

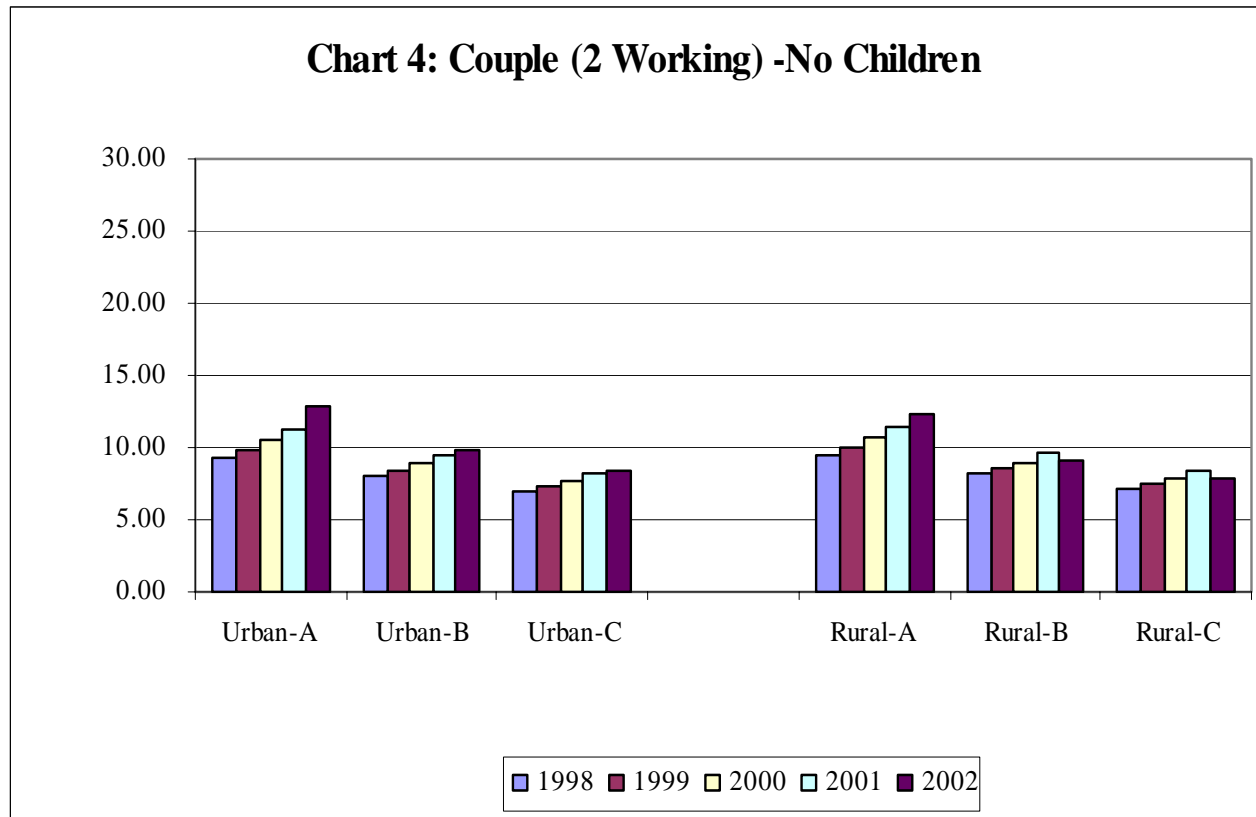
Table 7: Total After Tax Basic Need Annual Income: 2002

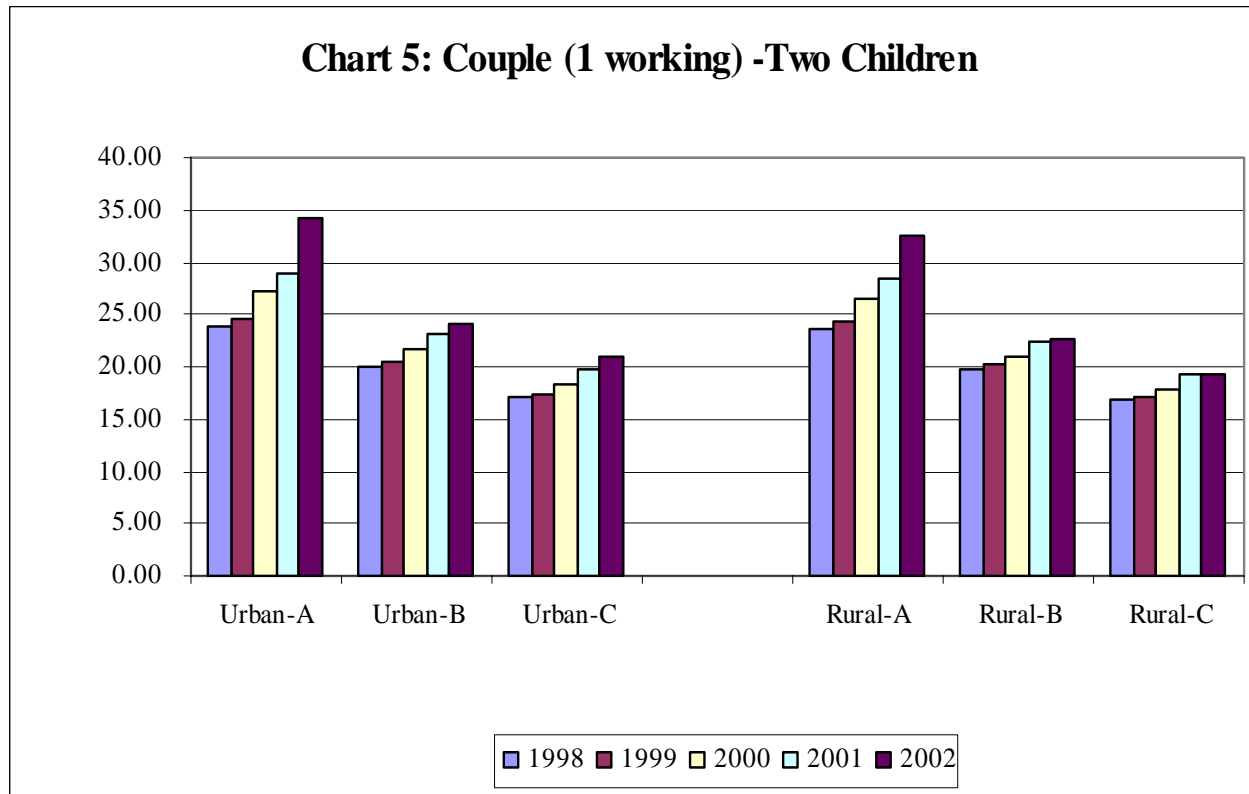
		<b>Urban</b>				<b>Rural</b>		
		A	B	C		A	B	C
		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care		No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
		Moderate cost Food Plan		Low Cost Plan		Moderate cost Food Plan		Low Cost Plan
Single, no children		32,077	24,796	22,168		29,207	22,982	19,986
Single, one child		58,152	41,466	36,938		52,291	36,860	32,529
Single, two children		75,072	49,643	43,863		69,975	44,925	39,109
Couple, (2 working), no children		53,186	40,577	34,833		51,238	38,177	32,978
Couple (1 working), two children		71,068	50,252	43,372		67,530	46,972	40,213
Couple (2 working), two children		88,205	63,695	55,853		82,202	58,763	50,888

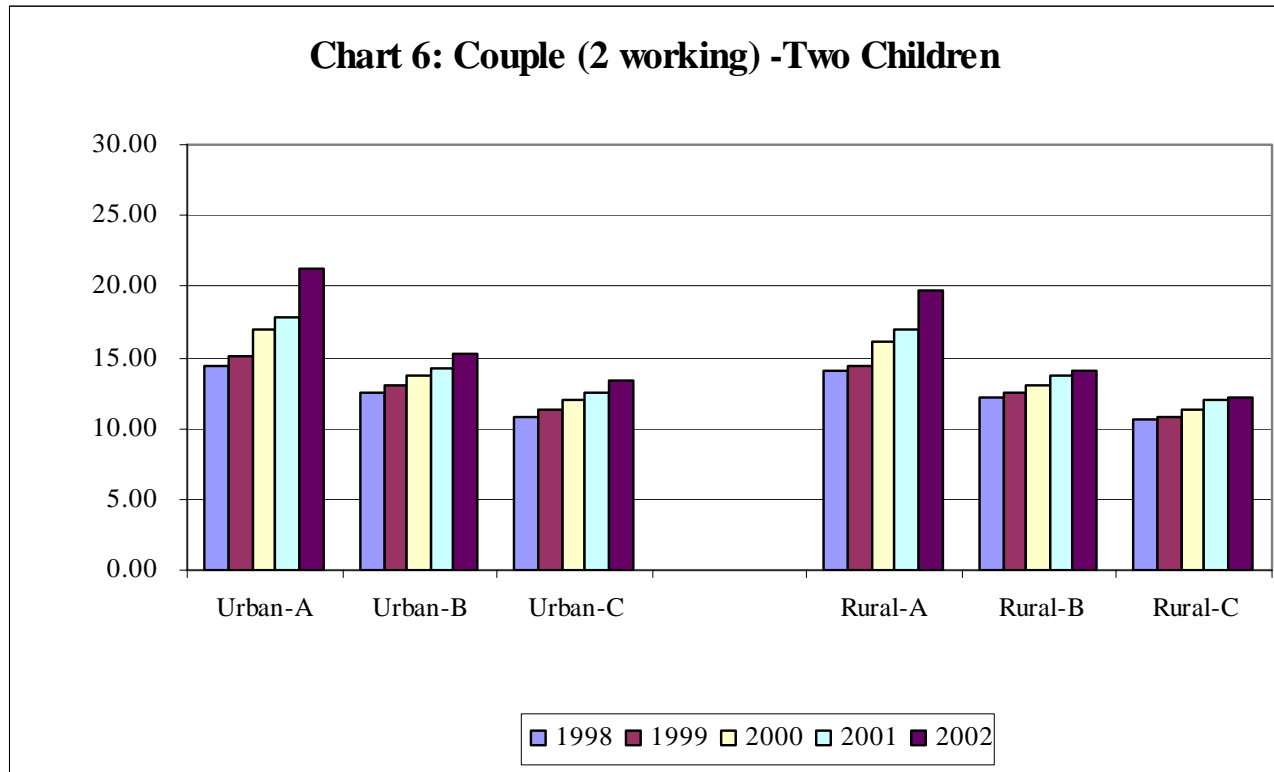












2002

**Table 8A: Single Person**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan
Food	233	233	192	233	233	192
Rent	482	482	482	401	401	401
Utilities	145	145	145	112	112	112
Health Care	440	71	71	440	71	71
Transportation	372	323	323	318	323	294
Child Care	0	0	0	0	0	0
Clothing / Household	192	192	192	192	192	192
Telephone	35	35	35	35	35	35
Personal Expenses	60	60	30	60	60	30
Renter's Insurance	12	12	12	12	12	12
Dental Care	44	44	44	44	44	44
Life Insurance	0	0	0	0	0	0
Savings (5%)	101	80	0	92	74	0
Total Monthly Expenses	2,116	1,677	1,525	1,939	1,557	1,382
Annual Expenses	25,389	20,119	18,299	23,272	18,682	16,582
Federal & State Taxes	6,688	4,678	3,869	5,935	4,301	3,404
Annual Income	32,077	24,796	22,168	29,207	22,982	19,986
Equivalent Hourly Wage	\$ 15.42	\$ 11.92	\$ 10.66	\$ 14.04	\$ 11.05	\$ 9.61

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**Tax Calculations: Single**


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<b>Single</b>						
Standard Deduction	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700
Personal Exemption(s)	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Taxable Income	24,377	17,096	14,468	21,507	15,282	12,286
Federal Tax (before credits)	3,357	2,264	1,870	2,926	1,992	1,543
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	0	0	0	0	0	0
Dependent Care Credit	0	0	0	0	0	0
Net Federal Tax	3,357	2,264	1,870	2,926	1,992	1,543
State Tax (before credits)	878	615	521	774	550	442
EIC-State	0	0	0	0	0	0
Dependent Care Credit	0	0	0	0	0	0
Renter Rebate	0	-99	-217	0	0	-110
Net State Tax	878	516	303	774	550	332
FICA/Medicare	2,454	1,897	1,696	2,234	1,758	1,529
Total	6,688	4,678	3,869	5,935	4,301	3,404

2002

**Table 8B: Single Parent with One Child**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan
Food	356	356	290	356	356	290
Rent	658	658	658	504	504	504
Utilities	178	178	178	138	138	138
Health Care	955	121	121	955	121	121
Transportation	418	404	389	402	389	372
Child Care	532	532	532	471	471	471
Clothing / Household	281	281	281	281	281	281
Telephone	35	35	35	35	35	35
Personal Expenses	120	120	60	120	120	60
Renter's Insurance	12	12	12	12	12	12
Dental Care	76	44	44	76	44	44
Life Insurance	12	12	12	12	12	12
Savings (5%)	182	138	0	168	124	0
Total Monthly Expenses	3,814	2,890	2,611	3,530	2,607	2,340
Annual Expenses	45,765	34,676	31,337	42,357	31,279	28,085
Federal & State Taxes	12,387	6,790	5,602	9,934	5,581	4,444
Annual Income	58,152	41,466	36,938	52,291	36,860	32,529
Equivalent Hourly Wage	\$ 27.96	\$ 19.94	\$ 17.76	\$ 25.14	\$ 17.72	\$ 15.64

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**Tax Calculations: Single + 1 Child**


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<b>Head of Household</b>						
Standard Deduction	-6,900	-6,900	-6,900	-6,900	-6,900	-6,900
Personal Exemption(s)	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000
Taxable Income	45,252	28,566	24,038	39,391	23,960	19,629
Federal Tax (before credits)	5,399	7,224	3,106	4,919	5,642	3,094
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	-600	-600	-600	-600	-600	-600
Dependent Care Credit	-480	-480	-480	-480	-480	-480
Net Federal Tax	6,144	2,705	2,026	4,562	2,014	1,364
State Tax (before credits)	1,910	1,028	865	1,488	863	707
EIC-State	0	0	0	0	0	0
Dependent Care Credit	-115	-115	-115	-115	-115	-115
Renter Rebate	0	0	0	0	0	0
Net State Tax	1,795	913	750	1,373	747	591
FICA/Medicare	4,449	3,172	2,826	4,000	2,820	2,488
Total	12,387	6,790	5,602	9,934	5,581	4,444

2002

**Table 8C: Single Parent with Two Children**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan	Moderate cost Food Plan	Low Cost Plan	Low Cost Plan
Food	520	520	422	520	520	422
Rent	658	658	658	504	504	504
Utilities	178	178	178	138	138	138
Health Care	1,302	171	171	1,302	171	171
Transportation	404	403	404	450	404	389
Child Care	733	733	733	650	650	650
Clothing / Household	422	422	422	422	422	422
Telephone	35	35	35	35	35	35
Personal Expenses	180	180	90	180	180	90
Renter's Insurance	12	12	12	12	12	12
Dental Care	128	44	44	128	44	44
Life Insurance	14	14	14	14	14	14
Savings (5%)	229	168	0	218	155	0
Total Monthly Expenses	4,815	3,538	3,183	4,572	3,248	2,891
Annual Expenses	57,775	42,459	38,197	54,861	38,980	34,691
Federal & State Taxes	17,297	7,183	5,666	15,114	5,945	4,418
Annual Income	75,072	49,643	43,863	69,975	44,925	39,109
Equivalent Hourly Wage	\$ 36.09	\$ 23.87	\$ 21.09	\$ 33.64	\$ 21.60	\$ 18.80

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**Tax Calculations: Single + 2 Children**


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<b>Head of Household</b>						
Standard Deduction	-6,900	-6,900	-6,900	-6,900	-6,900	-6,900
Personal Exemption(s)	-9,000	-9,000	-9,000	-9,000	-9,000	-9,000
Taxable Income	59,172	33,743	27,963	54,075	29,025	23,209
Federal Tax (before credits)	8,395	10,982	3,694	7,084	9,606	3,854
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	-1150	-1200	-1200	-1200	-1200	-1200
Dependent Care Credit	-960	-960	-960	-960	-960	-960
Net Federal Tax	8,872	2,401	1,534	7,446	1,694	821
State Tax (before credits)	2,912	1,215	1,007	2,545	1,045	836
EIC-State	0	0	0	0	0	0
Dependent Care Credit	-230	-230	-230	-230	-230	-230
Renter Rebate	0	0	0	0	0	0
Net State Tax	2,682	984	776	2,315	814	605
FICA/Medicare	5,743	3,798	3,356	5,353	3,437	2,992
Total	17,297	7,183	5,666	15,114	5,945	4,418

2002

**Table 8D: Two Adults with No Children**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan	Moderate cost Food Plan	Low Cost Plan	Moderate cost Food Plan	Low Cost Plan
Food	464	464	377	464	464	377
Rent	482	482	482	401	401	401
Utilities	145	145	145	112	112	112
Health Care	955	213	213	955	213	213
Transportation	703	707	652	703	681	652
Child Care	0	0	0	0	0	0
Clothing / Household	354	354	354	354	354	354
Telephone	35	35	35	35	35	35
Personal Expenses	120	120	60	120	120	60
Renter's Insurance	12	12	12	12	12	12
Dental Care	76	76	76	76	76	76
Life Insurance	19	19	0	19	19	0
Savings (5%)	168	131	0	163	124	0
Total Monthly Expenses	3,533	2,758	2,405	3,414	2,611	2,291
Annual Expenses	42,401	33,102	28,866	40,964	31,332	27,497
Federal & State Taxes	10,785	7,475	5,968	10,274	6,845	5,481
Annual Income	53,186	40,577	34,833	51,238	38,177	32,978
Equivalent Hourly Wage	\$ 25.57	\$ 19.51	\$ 16.75	\$ 24.63	\$ 18.35	\$ 15.85
Avg. per Wage Earner	\$ 12.79	\$ 9.75	\$ 8.37	\$ 12.32	\$ 9.18	\$ 7.93

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**Tax Calculations: Two + 0 Children**


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<b>Married Filing Joint</b>						
Standard Deduction	-7,850	-7,850	-7,850	-7,850	-7,850	-7,850
Personal Exemption(s)	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000
Taxable Income	39,336	26,727	20,983	37,388	24,327	19,128
Federal Tax (before credits)	4,981	5,300	2,548	5,113	5,008	3,049
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	0	0	0	0	0	0
Dependent Care Credit	0	0	0	0	0	0
Net Federal Tax	5,300	3,409	2,548	5,008	3,049	2,269
State Tax (before credits)	1,416	962	755	1,346	876	689
EIC-State	0	0	0	0	0	0
Dependent Care Credit	0	0	0	0	0	0
Renter Rebate	0	0	0	0	0	0
Net State Tax	1,416	962	755	1,346	876	689
FICA/Medicare	4,069	3,104	2,665	3,920	2,921	2,523
Total	10,785	7,475	5,968	10,274	6,845	5,481

2002

**Table 8E: Two Adults with Two Children (one wage earner)**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan		Moderate cost Food Plan	Low Cost Plan	
Food	723	723	585	723	723	585
Rent	658	658	658	504	504	504
Utilities	178	178	178	138	138	138
Health Care	1,383	313	313	1,383	313	313
Transportation	644	603	606	674	605	606
Child Care	0	0	0	0	0	0
Clothing / Household	525	525	525	525	525	525
Telephone	35	35	35	35	35	35
Personal Expenses	240	240	120	240	240	120
Renter's Insurance	12	12	12	12	12	12
Dental Care	128	76	76	128	76	76
Life Insurance	15	15	15	15	15	15
Savings (5%)	227	169	0	219	159	0
Total Monthly Expenses	4,767	3,546	3,123	4,595	3,344	2,929
Annual Expenses	57,200	42,553	37,479	55,143	40,134	35,149
Federal & State Taxes	13,868	7,699	5,893	12,387	6,838	5,064
Annual Income	71,068	50,252	43,372	67,530	46,972	40,213
Equivalent Hourly Wage	\$ 34.17	\$ 24.16	\$ 20.85	\$ 32.47	\$ 22.58	\$ 19.33

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**Tax Calculations: Two + 2 Children ( one wage earner )**


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<b>Married Filing Joint</b>						
Standard Deduction	-7,850	-7,850	-7,850	-7,850	-7,850	-7,850
Personal Exemption(s)	-12,000	-12,000	-12,000	-12,000	-12,000	-12,000
Taxable Income	51,218	30,402	23,522	47,680	27,122	20,363
Federal Tax (before credits)	7,625	3,960	2,928	6,670	3,468	2,454
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	-1200	-1200	-1200	-1200	-1200	-1200
Dependent Care Credit	0	0	0	0	0	0
Net Federal Tax	6,425	2,760	1,728	5,470	2,268	1,254
State Tax (before credits)	2,006	1,094	847	1,752	976	733
EIC-State	0	0	0	0	0	0
Dependent Care Credit	0	0	0	0	0	0
Renter Rebate	0	0	0	0	0	0
Net State Tax	2,006	1,094	847	1,752	976	733
FICA/Medicare	5,437	3,844	3,318	5,166	3,593	3,076
Total	13,868	7,699	5,893	12,387	6,838	5,064

2002

**Table 8F: Two Adults with Two Children (two wage earners)**

Category	Urban			Rural		
	A	B	C	A	B	C
	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care	No Employer Assisted Health Care	With Employer Assisted Health Care	With Employer Assisted Health Care
Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	Cost/Mo.	
	Moderate cost Food Plan	Low Cost Plan		Moderate cost Food Plan	Low Cost Plan	
Food	723	723	585	723	723	585
Rent	658	658	658	504	504	504
Utilities	178	178	178	138	138	138
Health Care	1,383	313	313	1,383	313	313
Transportation	788	743	731	788	731	703
Child Care	733	733	733	650	650	650
Clothing / Household	525	525	525	525	525	525
Telephone	35	35	35	35	35	35
Personal Expenses	240	240	120	240	240	120
Renter's Insurance	12	12	12	12	12	12
Dental Care	128	76	76	128	76	76
Life Insurance	23	23	23	23	23	23
Savings (5%)	271	213	0	257	198	0
Total Monthly Expenses	5,696	4,471	3,989	5,405	4,168	3,684
Annual Expenses	68,355	53,657	47,874	64,865	50,021	44,213
Federal & State Taxes	19,849	10,037	7,979	17,337	8,743	6,676
Annual Income	88,205	63,695	55,853	82,202	58,763	50,888
Equivalent Hourly Wage	\$ 42.41	\$ 30.62	\$ 26.85	\$ 39.52	\$ 28.25	\$ 24.47
Avg. per Wage Earner	\$ 21.20	\$ 15.31	\$ 13.43	\$ 19.76	\$ 14.13	\$ 12.23

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**Tax Calculations: Two + 2 Children ( two wage earners )**


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<b>Married Filing Joint</b>						
Standard Deduction	-7,850	-7,850	-7,850	-7,850	-7,850	-7,850
Personal Exemption(s)	-12,000	-12,000	-12,000	-12,000	-12,000	-12,000
Taxable Income	68,355	43,845	36,003	62,352	38,913	31,038
Federal Tax (before credits)	12,252	5,977	4,800	10,631	5,237	4,056
EIC-Federal	0	0	0	0	0	0
Child Credit (New 1998)	-1200	-1200	-1200	-1200	-1200	-1200
Dependent Care Credit	-960	-960	-960	-960	-960	-960
Net Federal Tax	10,092	3,817	2,640	8,471	3,077	1,896
State Tax (before credits)	3,240	1,578	1,296	2,808	1,401	1,117
EIC-State	0	0	0	0	0	0
Dependent Care Credit	-230	-230	-230	-230	-230	-230
Renter Rebate	0	0	0	0	0	0
Net State Tax	3,010	1,348	1,066	2,578	1,170	887
FICA/Medicare	6,748	4,873	4,273	6,288	4,495	3,893
Total	19,849	10,037	7,979	17,337	8,743	6,676

**Appendix: Data Sources**

<u>Budget Categories</u>	<u>Data Source(s)</u>	<u>Date &amp; Frequency</u>
Food	U.S. Dept. of Agriculture (USDA), Center for Nutrition Policy & Promotion, "Low Cost Food Plan"	June 2002 (monthly)
Housing	U.S. Dept. of Housing & Urban Development (HUD), "Fair Market Rents"	October 2002 (annually)
Transportation	U.S. Dept. of Transportation (DOT), National Household Transportation Survey, Consumer Expenditure Survey and Internal Revenue Service (IRS) cost per mile for business travel	DOT - 2001 (every 5 years); CES - 2001 (annually); IRS - 2002 (annually)
Health Care	Non-Group: Blue Cross & Blue Shield, Group: MVP \$500 Co-Pay + Prescription Drug Rider, Dr. Dynasaur Co-Pay = \$50	July 2003 (annually)
Dental Care	Northeast Delta Dental, Preventer 1 (small business) (for single, two persons and families)	July 2003 (annually)
Childcare	Vt. Dept. of Soc. & Rehab. Services (SRS), Office of Childcare Services (rural) and Child Care Resource (CCR - urban)	January 2003 Special Study
Clothing and Household Expenses	U.S. Dept. of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey (CES)	2001 (annually)
Personal Expenses	Derived from Consumer Expenditure Survey	2001 (annually)
Telephone	Verizon, Standard Use Measured Service	July 2003 (annually)
Renter's Insurance	Smith, Bell & Thompson (SBT)	July 2003 (annually)
Savings	Fixed percentage of before tax income	NA
Life Insurance	National Life of Vermont	July 2003 (annually)
Tax Tables	Federal and Vermont Income Tax	January 1, 2002 (annually)
Dependent Care Credit	Federal and Vermont Income Tax	January 1, 2002 (annually)
Child Credit	Federal Income Tax	January 1, 2002 (annually)
Earned Income Credit	Federal and Vermont Income Tax	January 1, 2002 (annually)
Vermont Renter Rebate	Vermont Income Tax	January 1, 2002 (annually)