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The SNAP loophole that lets millionaires receive food stamps

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Ending the government shutdown restored benefits for the Supplemental Nutrition Assistance Program (SNAP), but it also highlighted a broader issue in welfare policy: Congress often allows states to expand programs while shifting the costs to federal taxpayers.

A clear example is SNAPâ??s Broad-Based Categorical Eligibility (BBCE), which lets states bypass the programâ??s asset limits and extend benefits to households with substantial financial resources.

If SNAP is to remain a federal program, Washington should, at least, enforce federal asset limits. A better solution is to devolve SNAP to the states. This will allow states to set their own eligibility standards for the benefits they already administer and require them to finance the resulting taxpayer costs.

SNAPâ??s Enrollment Loophole

Federal SNAP guidelines include requiring applicant households to have a gross monthly income at or below 130 per cent of the federal poverty line (FPL)â??$2,292 for a family of two in 48 states, the average SNAP household size, and no more than $3,000 in countable assets, or $4,500 for households with elderly or disabled members. Countable assets include cash, money in checking or savings accounts, vehicles, and liquid financial investments such as stocks, bonds, and mutual funds not held in pension funds or 401(k)/IRA accounts.

SNAP has these eligibility standards to help ensure benefits target households with the least financial resources.

However, BBCE allows states to sidestep those federal rules by offering SNAP eligibility to those who qualify for other programs, such as Temporary Assistance for Needy Families (TANF). Even minimal TANF-funded servicesâ??such as

brochures, pamphlets, and hotline numbersâ??can qualify someone for SNAP benefits.

States enjoy significant discretion in determining TANF eligibility, commonly setting both income and asset thresholds above SNAPâ??s statutory eligibility standards. Federal regulations permit states to extend TANF eligibilityâ??and thus SNAP eligibility through BBCEâ??to households with incomes up to 200 per cent of FPL. Additionally, because many states donâ??t have asset limits for their TANF programs, BBCE allows them to nullify SNAPâ??s asset restrictions entirely.

As a result, millions of households with assets above SNAPâ??s statutory limits now qualify for benefits.

Millionaires on SNAP

The absence of asset tests under BBCE has allowed individuals with substantial savings, high-value retirement accounts, and multiple vehicles to qualify for food stamps, provided they keep their income below their stateâ??s maximum income thresholds. It has also produced absurd outcomes, including lottery winners and millionaires receiving food stamps. For example:

An early retiree in Minnesota with millions of dollars in assets received over $6,000 in SNAP benefits over 19 months.

In 2011, a man from Michigan won $2 million in the state lottery but still received SNAP benefits. That same year, a 25-year-old Michigan woman won a $1 million jackpot and kept receiving benefits.

In 2014, a $1 million lottery winner in Massachusetts continued to have an EBT card in his name.

In 2021, 13 lottery-winning households in North Carolina spent a combined $40,585 in SNAP benefits after the substantial lottery winnings were claimed.

In just 13 states, 65,000 lottery winners ($4,250 or more) received SNAP benefits from 2019 to 2023, including a $2 million jackpot winner in South Dakota in 2021.

While these examples are uncommon, they point to a larger structural issue. The Foundation for Government Accountability (FGA) estimated in 2023 that up to 4 million people eligible for SNAP through BBCE had assets above federal limits. FGA estimated in 2018 that most individuals with assets above federal limits had more than $20,000 in countable assets. More than 1 in 3 of these had countable assets of $50,000 or more, and 1 in 5 had assets of $100,000 or more.

Getting Incentives Right

Taxpayers could save significant sums by focusing SNAP benefits on the neediest recipients. Cost-saving projections for repealing BBCE vary widely, ranging from $10 billion to $112 billion over 10 years. Tighter asset requirements are a popular proposal, too. A 2023 poll found that 73 per cent of likely voters supported checking prospective SNAP recipientsâ?? financial assets, such as large amounts of cash in the bank, to make sure they are truly eligible.

But stricter asset rules alone wonâ??t fix SNAPâ??s underlying problem: Because Washington foots the bill for 100 per cent of SNAPâ??s benefits, states capture the political upside of appearing generous to constituents and advocacy groups with broader benefit expansions, without any of the fiscal downside of having to pay for them.

A better approach is to align benefit authority with funding responsibility. States should have the flexibility to set asset limits appropriate for economic conditionsâ??such as more relaxed asset thresholds to avoid penalizing households who saveâ??but they should also bear the fiscal consequences of those decisions. Congress can begin the process of devolving the program to the states by block-granting SNAP and gradually reducing the federal governmentâ??s share of paying for the programâ??s benefits. States would then slowly begin to pick up the tab for the benefits that flow from their eligibility choices.

United States Department of Agriculture (USDA) Secretary Brooke Rollins promised â??structural changesâ? to SNAP this week. Systemic reforms to SNAPâ??s financing model cannot be done without congressional approval, but USDA should take meaningful action to enforce SNAPâ??s eligibility standards now by moving forward with tightening BBCE through regulation.

Enforcing SNAPâ??s federal asset limits would prevent the most egregious abuses, such as millionaires, lottery winners, and households with six-figure assets receiving SNAP benefits. But the best way to ensure that taxpayer-funded nutritional aidâ??if it is to exist at allâ??goes to the truly needy is for Washington to devolve control over programs like SNAP to the states and have them assume financial accountability for the programs they choose to design.