

# The Use and Misuse of Income Data and the Rarity of Extreme Poverty in the United States

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Recent research suggests that rates of extreme poverty, defined as living on less than either \$2 or \$4 per-person per-day, are high and rising in the United States. We re-examine the rate of extreme poverty using the Survey of Income and Program Participation (SIPP), which provides information on income, hours worked, assets, hardships, and other household characteristics. We link the SIPP to administrative data on income and means-tested transfer programs and find that correcting for errors in earnings and transfer reports, and accounting for in-kind transfers and substantial assets, leaves less than 10% of households with survey-reported money incomes below \$2/person/day in extreme poverty. Of the households remaining in extreme poverty, 90% are single individuals. Several of the largest misclassified groups appear to be at least middle class. Given the low recent level of extreme poverty, it cannot have risen substantially due to welfare reform as many have argued.