

State House Lobby Day on EITC Expansion and Funding VITA Sites in Massachusetts

May 3rd, 2018

11:00 am – 12:00 pm

House Member's Lounge

Good morning to all! Thank you for having me here. Today I want to talk briefly with you about the health and housing related benefits associated with the EITC.

Family economic security can be described in many ways. To Children's HealthWatch it involves the ability to afford enough healthful food, a safe and stable home, home energy and utilities, medical care and prescription medicines. So, I invite you to take a moment to imagine what this means in terms of a family's well-being: children living in a warm, safe home, with healthful food to fuel their growth and development, and medical care to ensure they don't get sick and end up in the emergency room. Parents working living-wage jobs, getting medical care, and having stress free lives.

We believe the best route for most families to become financially stable and make sure the scenario I just pictured is achievable is through full-time employment that pays a living wage. Unfortunately, research has been showing us that for many workers, current wages are not enough for them to afford rent or keep up with mortgage installments and still have enough money to pay for other necessities, like food, energy and health care.

Here is where the EITC comes into the picture. The EITC is widely considered one of the most effective anti-poverty programs for working families. More than 440,000 tax filers claimed the Massachusetts state EITC in 2015, and it has been positively affecting their health and well-being.

Now, let's imagine an even better picture: what if we could increase our EITC from the current 23 percent to 50 percent of the federal amount?

Why should we do that? Because a large and growing body of research evidence has shown short- and long-term gains to families well-being when the value of the EITC they receive increases.

Gains on the health front? There are several:

- Previous increases in the EITC have been shown to **reduce rates of low birth weight and preterm birth.**ⁱ Health care costs for those little ones are more than 25 times the average cost of hospital stays for uncomplicated newborns—and those born pre-term have increased odds of ongoing health and developmental challenges throughout their lives. If we improve birth outcomes, we will reduce health care costs, and set children on a positive trajectory for healthy development.

- Also, the EITC has been shown to increase **health-related quality of life and longevity** among working Americans.ⁱⁱ When states that supplemented the EITC were compared to those that did not, people living in states with increases gained on average more than a month of Quality Life Years. Doesn't seem much... But, over an average lifetime, this adds up to 2.2 years. Who does not want to gain 2.2 years of quality life?
- As a nutritionist/dietitian this is what I like most: EITC **recipients buy more healthy food items** during the months when refunds are paid.ⁱⁱⁱ
 - At Children's HealthWatch we study food insecurity and the harm it does to health and education. Food insecurity occurs when a family is unable to afford enough nutritious food for all family members to live active and healthy lives. Everyone knows that a good diet gives you good health, and a poor diet, or the lack of food, makes you sick. In 2014 alone we found that the United States spent a conservative \$178 billion dollars in avoidable healthcare, educational and lost work productivity costs linked to food insecurity. In 2016, we did the same study in Massachusetts and found \$2.4 billion dollars in avoidable health and education costs attributable to food insecurity.

Now I am going to switch to gains on the housing front:

- Currently, the federal plus state EITC enables married-couple families with two children, in **41 percent** of cities in Massachusetts to afford a stable home.^{iv}
 - If we increase the state EITC to **50 percent** of the federal credit, it will enable families in nearly **half** of Massachusetts' cities to afford stable homes.^{iv}
- Being able to afford a stable, safe home improves the health and well-being of all people. But when we see families behind on rent or mortgage, moving several times in one year, or even being homeless, we also see large increases in health and education costs linked to that housing instability. In 2016 we estimated those costs amounting to \$111 billion dollars nationally over 10 years time.
 - Increasing the state EITC to **50 percent** would further boost its effectiveness in helping families **catch up on rent and potentially avoid eviction, and the high costs it involves.**^{iv}

So, as you can see from the research evidence I've described here today, relatively small investments in the EITC not only reduce poverty, but also they are a highly cost-saving preventive intervention that can save the Commonwealth billions of dollars in costs of treating health conditions and diseases linked with food insecurity and housing instability. Basic needs are more likely to be met when working families experiencing hardships are able to keep more of the money they worked hard to earn. As we say at Children's HealthWatch, children and their families thrive when we respond to their realities.

Thank you!

Ana Poblacion, PhD, MSc

ⁱ Hoynes, H. W., Miller, D. L., & Simon, D. (2012). Income, the Earned Income Tax Credit, and Infant Health. Working Paper 18206, National Bureau of Economic Research, Cambridge, MA.

ⁱⁱ Muennig, P.A., Mohit, B., Wu, J., Haomiao, J., Rosen, Z. (2016). Cost Effectiveness of the Earned Income Tax Credit as a Health Policy Investment. *American Journal of Preventative Medicine*. Vol. 51, Issue 6, Pages 874-881.

ⁱⁱⁱ McGranahan, L., & Schanzenbach, D. W. (2013). The Earned Income Tax Credit and Food Consumption Patterns. *Federal Reserve Bank of Chicago*.

^{iv} Poblacion, A., Bovell-Ammon, A., Bigger, L, Chockalingam, V., Ettinger de Cuba, S., Sandel, M., Sheward, R., Chappelle, K., Cook, J. (2017). Working Families: Solutions for Paying the Bills. Children's HealthWatch. Available at: <http://childrenshealthwatch.org/wp-content/uploads/Working-Families-What-If-Brief.pdf>.