

Written Testimony
Joint Committee on Ways and Means
House Committee on Federal Stimulus and Census Oversight
Boston, MA

September 22, 2021

Chairman Rodrigues, Chairman Michelwitz, Chariman Hunt and distinguished members of the Joint Committee on Ways and Means and House Committee on Federal Stimulus and Census Oversight:

Thank you for the opportunity to submit testimony to inform the distribution plan for the \$4.8 billion in federal American Rescue Plan Act (ARPA) funding in Massachusetts. On behalf of Children's HealthWatch, a nonpartisan network of pediatricians, public health researchers, and children's health and policy experts committed to improving children's health in America, we appreciate the Committees' focus on health care, mental health, substance use disorder, public health, and human services. We strongly urge the Committees to allocate a portion of the funds to programs that reduce health disparities in the Commonwealth. Specifically, we urge the Committees to use funds to increase the state match of the Earned Income Tax Credit (EITC) to 50 percent of the federal credit, and to expand EITC eligibility to immigrants who file taxes with an Individual Tax Identification Number (ITIN).

The mission of Children's HealthWatch, headquartered at Boston Medical Center, is to improve the health and development of young children by informing policies that address and alleviate economic hardships. We accomplish this mission by interviewing caregivers of young children on the frontlines of pediatric care, in urban emergency departments and primary care clinics in five cities: Boston, Minneapolis, Little Rock, Baltimore, and Philadelphia. Since 1998, we have interviewed over 75,000 caregivers of children under four years of age and analyzed the data to determine the impact of public policies on the health and development of young children.

We believe the ARPA funds provide a significant opportunity to address longstanding health inequities that led to the disproportionate impact of COVID-19 by investing in public health programs that support communities most affected by the economic fallout of COVID-19 – specifically Black, Indigenous, people of color (BIPOC), immigrant families, and families with low incomes – as is intended. The Centers for Disease Control and Prevention describes the Earned Income Tax Credit (EITC) as “one of the best public health interventions available” – and for good reason.¹ A growing body of research demonstrates that EITCs can significantly improve health outcomes in five years or less, especially maternal and child health outcomes, which is why it is included among the CDC's HI-5 Interventions (health impact in five years).² Currently, the state has an opportunity to increase the Massachusetts EITC's availability, size, and participation to reduce health disparities among low-income children and families in Massachusetts – and especially among BIPOC and immigrant families.

Recent census data shows that still, in Massachusetts, 7 percent of families – including 7 percent of those with children – do not have enough to eat, 10 percent are behind on rent, and 23 percent report

difficulty covering usual household expenses.³ These families are overwhelmingly those of color and those with low and moderate incomes. A recent survey conducted by the Massachusetts Department of Public Health (DPH) of more than 35,000 residents in the state found that 70 percent of families with incomes below \$35,000 worried about paying for one or more household expenses, an 44 percent of these families experienced a job loss or reduced hours during the pandemic.⁴ The DPH survey also found that 73 percent of Hispanic households and 73 percent of Black non-Hispanic households worried about paying for one or more expenses during the pandemic, compared to 41 percent of white non-Hispanic households. Changes to the EITC would directly support these families still struggling to make ends meet. Based on our extensive research, we understand when working families struggle to make ends meet, caregivers and their young children are at greater risk of experiencing poor health outcomes such as increased risk for disease and premature death.⁵

As a nonpartisan network of pediatricians and children's health and policy experts, we understand the harmful health consequences of financial instability, as well as the critical role of government programs and policies in stabilizing families, improving health, and promoting racial health equity. Our research and that of others demonstrate that children and their families need access to basic needs throughout their lifetime – including healthy food, stable homes, health care, and child care – in order to thrive. Lack of access to these basic needs is associated with poor child health and development, poor parental physical and mental health, and child hospitalization rates.^{6,7,8} The health impact of these hardships is often compounded, as they are frequently experienced simultaneously, often as a result of limited income and resources.⁹ Currently, the state has an opportunity to prevent this, improve the health of young children and their families, and address longstanding inequities by investing in the EITC.

Federal and state EITCs offer a tax break for low- and moderate-income working families that boost their financial resources and help alleviate economic hardship. In addition to supporting financial stability, the EITC is associated with health benefits across the lifespan. Previous expansions in the EITC have been strongly associated with a decrease in infants born with low birth weights among pregnant women eligible for the credit.¹⁰ This relationship is notable because low birth weight is damaging to the long-term health and developmental potential of children and costly to the health system, yet few medical interventions are available that effectively reduce the risk of low birth weight. In addition to benefits for infants, children in families receiving the EITC have fewer behavioral health problems, such as anxiety and depression.¹¹ Mothers receiving the EITC are more likely to have signs of good health, including lower risk of high blood pressure and inflammation and reduced reports of depression and stress.^{12,13} Supplemental EITC programs have also been found to increase health-related quality of life and longevity among people with low incomes.¹⁴ Furthermore, research shows that the EITC may even improve life expectancy among people with low incomes in the U.S.¹⁵

An approach to boost income improves health and financial stability, and also gives families freedom and dignity by enabling them to prioritize their own basic need and to make choices that are best for their family. Building on success in other cities, Chelsea and Cambridge have recently launched universal basic income pilots to evaluate the impact of providing direct cash to families in Massachusetts. Initial findings on spending from Chelsea found that nearly three quarters of all families spent the funds on

food. Other spending included clothes, utilities, and transportation.¹⁶ Research shows that families use their EITC benefit and other direct cash to purchase healthy foods, afford basic goods, make necessary home or car repairs, pay bills including rent and utility arrearages, and save for the future.^{17,18} This enables better health among families, as they are better able to meet their basic needs.

The EITC is effective at reaching communities of color. Expansions to the EITC have historically had a larger net positive impact for people of color – particularly Black and Latinx families – who are overrepresented among low income workers and disproportionately experience higher rates of poverty and associated poor health outcomes compared to white families.¹⁹ Permanent expansions to the EITC are critical for improving current and future health, especially as the economic crisis created by COVID-19 disproportionately pushed low-income families, immigrants, and communities of color deeper into poverty, with lasting impacts on health inequities.²⁰ Given this evidence, coupled with the documented health and economic benefits of the EITC, an investment to increase the EITC match to 50 percent and to extend the credit to immigrant workers who file taxes with an ITIN is a promising strategy to support families most impacted by the pandemic, and to save the Commonwealth future costs.

An increase to the state EITC would provide more than 375,000 households filing income taxes across virtually every city and town with additional income to support financial stability and recovery.²¹ Extending the EITC to immigrant workers who file using an ITIN and are currently excluded from the credit would benefit an estimated 13,200 households.²² This is critically important, as immigrant workers – despite paying taxes – have been left out of federal relief throughout the pandemic, and have limited access to public benefits. **Notably, this expansion is recommended by the legislature’s Health Equity Task Force to advance equity and move the Commonwealth towards and equitable economic recovery.**²³

In tax year 2018, the most recent year data is available, approximately 389,300 Massachusetts residents received \$820,546,000 in federal EITC. Based on tax year 2018 data, the Massachusetts EITC, calculated as 30 percent of the federal credit (which took effect in tax year 2019) would provide approximately \$246,163,800 in MA EITC. If calculated at 50 percent of the federal credit, the total MA EITC would be \$410,273,000 – **an increase of \$164,109,200 going to working Massachusetts families with low incomes.**²⁴ A recent report from Massachusetts Budget and Policy Center estimates that, assuming participation rates of the currently eligible EITC population, 13,260 eligible returns would result in **\$9,326,500 in EITC for ITIN filers in Massachusetts.**¹⁶

Improvements to the State EITC are a Cost-Effective and Sustainable Use of ARPA Funds

While it is well-established that the EITC improves a range of positive health outcomes among recipients, from poverty reduction, health improvement, and even reduced mortality, the EITC is also a remarkably cost-effective public policy. Research published in 2021 found that the EITC increases labor supply and income, thereby increasing the taxes households pay and reducing the government transfer payments they receive. Researchers found that the federal EITC’s net cost is only 17 percent of the (\$70 billion) budgetary cost over a one-year period.²⁵

While the total annual cost of increasing the MA EITC to 50% of the federal credit and expanding eligibility to ITIN filers is estimated to be \$173,435,700, it represents only a small fraction (0.36 percent) of the total \$47.6 billion Massachusetts Fiscal Year 2022 (FY22) budget and is only 3.54 percent of the \$4.9 billion ARPA funding at the discretion of the legislature. While expanding and improving the MA EITC will directly benefit more than 375,000 households filing income taxes across virtually every city and town, it only accounts for a small fraction of total spending by the Commonwealth, and does not pose an unsustainable burden on the state's ability to raise necessary revenue to maintain these improvements beyond the ARPA funding. Further, the estimated cost-effectiveness of the EITC in general (a net cost of 17 percent of the budgetary cost over a one year period) further demonstrates the fiscal sustainability of this policy.

In response to the economic fallout of COVID-19 and the disproportionate impact on BIPOC and immigrant families as well as families with low incomes, other states have used EITC as a vehicle to provide immediate emergency financial stability with the added benefit of improving population health. For example, Maryland temporarily increased its state EITC from 28 percent to 45 percent for tax years 2020 through 2022, in response to the pandemic's economic impact.²⁶ In addition, California, Colorado, Maryland, New Mexico, Oregon, and Washington passed legislation making ITIN filers eligible for the state EITC, and many states – including Oregon, Washington, California, and New York – have established additional relief funds for ITIN filers and other immigrants who were excluded from federal relief.

As you explore ways to address the needs of households within the Commonwealth amid the current public health and economic crises, we urge you to improve the EITC to provide critical support to families with low incomes and immigrants with ITINs left out of other pandemic relief. This approach is fiscally sustainable, will reduce poverty, address health disparities, and support the well-being of marginalized communities across Massachusetts. We strongly urge you to invest this small relative portion of the ARPA funds to increase the EITC rate to 50 percent, and to expand eligibility for the credit to immigrants who file taxes with an ITIN.

Sincerely,

Children's HealthWatch

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