Improve the Health of Families in the Commonwealth:
Strengthen the Massachusetts Earned Income Tax Credit

HEALTHY FAMILIES EITC COALITION

As one of our nation's most effective anti-poverty programs for families, [1] the Earned Income Tax Credit (EITC) is a benefit for working families with low- to moderate-incomes that improves health outcomes for children and their families. The federal and Massachusetts EITC reduces the amount of taxes families owe, and may even provide them with a refund. The Massachusetts EITC acts as a piggyback on the federal EITC in that it uses the same eligibility requirements. The state EITC is set at 23 percent of the federal credit, so families who claim the Massachusetts EITC receive a 23 percent boost to their federal EITC amount. In 2019, thanks to efforts by the Governor and the state legislature, the state EITC will increase 30 percent of the federal credit.

The EITC is a tax policy that reduces the gap between living expenses and wages for low and moderate-income working families and improves the economic security of over 400,000 families in Massachusetts. [2,3]

EITC rewards work and increases economic mobility.
Research has also shown that increasing the EITC has a positive impact on health across the lifespan including:

- Reduced rates of low birth weight and preterm birth.[4]
- Better household diets.[5]
- Better maternal physical and mental health.[6]
- Improved educational outcomes.[1,7]

In Barnstable, Dukes & Nantucket District in 2015,* 2,385 people claimed the Earned Income Tax Credit (EITC).[8] This resulted in $3,805,823 going into communities you represent, which helped families make ends meet.[9]

Why does the Massachusetts EITC need to be strengthened?

- The new federal tax law erodes both state and federal EITCs over time. Families in Massachusetts will see their state and federal EITC shrink by hundreds of dollars by 2027.[10]
- Wages in Massachusetts have stagnated over the past few decades. The EITC provides an income boost to many working families that helps them pay for basic necessities such as rent, utilities, and medical bills.[2,3]
- Strengthening the Massachusetts EITC will reward work, increase economic mobility for working families, and improve children's health.[7,11]

How can the Massachusetts EITC be strengthened to better serve families in the Commonwealth?

- Increase the Massachusetts EITC from 30 percent to 50 percent of the federal value.
- Direct the Department of Revenue to engage in comprehensive EITC promotion and outreach campaign which will ensure EITC-eligible households do not fail to claim the credit.
- Fund Volunteer Income Tax Assistance (VITA) sites which provide free tax preparation services to help low-income tax payers access EITC and other tax credits.

* These data are based on the previous state EITC amount of 15%. Current data is not yet available.

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The Healthy Families EITC Coalition is a statewide nonpartisan network of advocates working to improve the health and well-being of Massachusetts children and families through an increase in the state Earned Income Tax Credit (EITC). The 40+ member coalition is led by Children's HealthWatch at Boston Medical Center and consists of community-based agencies, legal advocates, professional associations, and Massachusetts workers and their families.

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http://childrenshealthwatch.org/public-policy/hfec

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[1] Marr, C et. Al. (2015). EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds. Center on Budget and Policy Priorities. Available at: https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens

[2] Poblacion, A et. al. (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

[3] Wagman, N. (2018) The Massachusetts State Earned Income Tax Credit. Massachusetts Budget and Policy Center. Available at: http://massbudget.org/report_window.php?loc=The-Massachusetts-State-Earned-Income-Tax-Credit.html

[4] 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.

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

[6] Evans WN, Garthwaite CL. Giving Mom a Break: The Impact of Higher EITC Payments on Maternal Health. http://www.nber.org/papers/w16296. National Bureau of Economic Research working paper w16296. Accessed November 12, 2015.

[7] Marr, C., Huang, C. C., & Sherman, A. (2014). Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds. Center on Budget and Policy Priorities. Available at: http://www.cbpp.org/cms/?fa=view&id=3793.

[8] The Brookings Institution. (2016). Earned Income Tax Credit (EITC) interactive and resources. Available at: https://www.brookings.edu/interactives/earned-income-tax-credit-eitc-interactive-and-resources/.

[9] The data from The Brookings Institution was compiled in 2015 for Tax Year 2014 by the IRS, and the dollar amount is based on Massachusetts' previous state EITC which was 15% the federal credit in 2015. The data was then received by The Brookings Institution then aggregated data into different geographic units. The data displayed here are from Massachusetts state legislative districts.

[10] Waxman S. (2018). New Federal Tax Law Reduces Value of State EITCs. Center on Budget and Policy Priorities. Available at: https://www.cbpp.org/blog/new-federal-tax-law-reduces-value-of-state-eitcs.

[11] The Brookings Institution. (2014). State Estimates of People and Children Lifted out of Poverty by the EITC and CTC Each Year, 2011-2013. http://www. brookings.edu/~/media/Research/Files/Blogs/2014/12/16-eitc/2013-SPM-State-EITC-and-CTCACTC.pdf.