

Joint Committee on Revenue

December 13, 2021

RE: Written testimony in support of H.2871/S.1841 and S.1852

Chairman Hinds, Chairman Cusack, and distinguished members of the Joint Committee on Revenue:

Thank you for the opportunity to submit testimony on behalf of Children's HealthWatch, headquartered at Boston Medical Center, in strong support of H.2871/S.1841: *An Act to increase family stabilization through the earned income tax credit*. We would also like to express our strong support for S.1852: *An Act providing a guaranteed minimum income to all Massachusetts families*, which is identical in legislative text and will be heard by the Committee on January 12<sup>th</sup>, 2022.

The mission of Children's HealthWatch 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. Our headquarters are located at Boston Medical Center in Boston, Massachusetts. Since 1998, we have interviewed over 75,000 caregivers of children under four years of age, and analyzed those interviews to determine the impact of public policies on the health and development of young children. Based on this research, we understand the ways in which income supports and direct cash, including the Earned Income Tax Credit (EITC) impact the health and economic mobility of children and families. We write today in strong support of H.2871/S.1841 and S.1852, which would expand and transform the EITC through five reforms to ensure that everyone in the Commonwealth can receive a basic income.

Children's HealthWatch also leads the Healthy Families EITC Coalition, 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 EITC and supporting free tax preparation sites. Our 30-plus member coalition is comprised of a diverse array of community-based agencies, legal advocates, professional associations, civil rights organizations, and most importantly – Massachusetts workers and their families.

**Bold expansions to the EITC will alleviate financial hardship and help families get ahead:**

*An Act to increase family stabilization through the earned income tax credit*, filed by Representative Decker, Representative Vargas, and Senator DiDomenico, as well as *An Act providing a guaranteed minimum income to all Massachusetts families*, filed by Senator Eldridge, will alleviate hardship and promote economic mobility in the Commonwealth by expanding the state's EITC so that it delivers larger cash benefits and is available to more families. The policies within these identical bills H.2871/S.1841 and S.1852 will:

- **Increase the Massachusetts EITC from 30% to 50% of the value of federal EITC:** 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.<sup>1</sup>
- **Establish a minimum \$2,400 credit for low to moderate income households earning up to \$50,000 and those with no taxable income at all:** Establishing a base credit would drastically improve the EITC's ability to eliminate the most extreme forms of poverty in Massachusetts and support families with the lowest incomes. Furthermore, putting money back into the pockets of individuals enables increased spending in local economies.
- **Extend the credit to middle-income families who are currently ineligible by expanding the phase-out rate to those earning up to \$75,000:** Extending the credit to middle-income families will enable more families to make ends meet. This is critical in Massachusetts, where the cost of living is high.
- **Expand eligibility to previously excluded groups of people, including taxpayers who file with an Individual Tax Identification Number (ITIN), unpaid caregivers, low-income college students, and younger (<25 years old) and older (65+) adults without children:** Expanding state EITC eligibility would allow certain immigrants and other excluded populations to claim the credit, which would help families afford basic needs. This expansion would also recognize and support caregiving as essential work for children under the age of 6, dependents who are permanently and totally disabled, or qualifying relatives over the age of 69.
- **Improve access to the EITC through more frequent payment options and increased communications and outreach:** Payment options would enable households to afford expenses throughout the year. A widely disseminated outreach and communications campaign on the availability of VITA sites would ensure that more low-income households receive the credit and protect them from for-profit tax preparers' often exorbitant fees to claim the EITC.

**The EITC and other direct cash payments are evidence-based programs to improve health and trajectory of children. These policies are associated with better birth and health outcomes, higher educational attainment, and economic mobility:**

As a network of pediatricians and child health researchers, we understand the immediate and long-term impact that access to financial resources has for families and children. For example, our co-lead Principal Investigator and pediatrician at Boston Medical Center, Dr. Megan Sandel, recently remarked that one of her young patients with failure to thrive struggled to gain weight until his family received the Advanced Child Tax Credit (CTC), a monthly payment of \$250 or \$300 per child, dependent on age, that have been provided by the federal government since July 2021 to nearly 90 percent of all US families. This monthly direct payment – which is similar in structure to the transformed EITC under H.2871/S.1841 and S.1852 – stabilized her patient's family and enabled them to better afford basic needs, like housing and food. Furthermore, access to these direct and monthly cash payments improved the child's physical health, reducing unnecessary future healthcare utilization and ensuring he is more prepared to enter kindergarten without needing special education.

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.<sup>2</sup> 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.<sup>3</sup> These children have better school performance, greater college enrollment, and increased work and earning in adulthood.<sup>4</sup> Research shows that these academic achievements are amplified with the size of the EITC received, with some suggestion that the benefit of larger EITCs are greater for children of color.<sup>5</sup> 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.<sup>6,7</sup> Supplemental EITC programs have also been found to increase health-related quality of life and longevity among people with low incomes.<sup>8</sup> Furthermore, research shows that the EITC may even improve life expectancy among people with low incomes in the U.S.<sup>9</sup> Given these positive health benefits, the Centers for Disease Control and Prevention recently categorized the EITC as one of the 14 key evidence-based, cost effective interventions for improving health in early childhood.<sup>10</sup>

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 needs 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.<sup>11</sup> Data gathered by the US Census Bureau Household Pulse Survey on the Advanced CTC has found that direct and flexible financial aid enables families to better afford basic needs, such as food and housing, that are essential for health. Similarly, 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.<sup>12,13</sup> Regular monthly payments provided through this restructured tax credit has also had a significant impact on reducing child poverty. In October, the Advanced CTC moved 3.6 million children out of poverty.<sup>14</sup>

#### **The EITC is effective at reaching families 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.<sup>15</sup> Permanent expansions to the EITC are critical for improving current and future health and economic prosperity, 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.<sup>16</sup>

Lack of access to basic needs is associated with poor child health and development, poor parental physical and mental health, and child hospitalization rates.<sup>17,18,19</sup> The health impact of these hardships is often compounded, as they are frequently experienced simultaneously, often as a result of limited income and resources.<sup>20</sup> Conversely, when families have access to financial resources necessary to

afford basic needs, children are better able to thrive. This is particularly true for young children, who are in a critical period of growth and development and often require more expensive resources. Currently, the state has an opportunity to prevent this and address longstanding inequities by investing in the EITC. Furthermore, these improvements would contribute to an equitable recovery, as lessons from the Great Recession demonstrate that families of color, with children, and with low incomes will take longer to recover than others, even as the economy as a whole rebounds.<sup>21</sup>

**H.2871/S.1841 and S.1852 align with recent bipartisan and bicameral recommendations from the Massachusetts legislature to promote health equity and an equitable recovery for Massachusetts families:**

These reforms to the EITC are grounded in research and, notably, aligned with the Senate Committee on Reimagining Massachusetts Post-Pandemic Resiliency’s recommendations outlined in their recent report, SD.2782. Specifically, this bipartisan report recommends pilot programs for income support and states that “Ensuring that all families have a consistent flow of income — and the flexibility to use it for essentials like food or rent, or emergency needs as they arise — would dramatically reduce the pains of poverty and bring outsized benefits for communities of color...targeting support to low-income families (through a more generous EITC or a refundable credit for caregivers) would maximize the impact and minimize the cost.”<sup>22</sup>

In addition to the Senate Committee’s report and recommendation, the bipartisan and bicameral Health Equity Task Force reports that an expansion of the EITC to workers who pay taxes using ITINs this expansion is necessary to advance equity and move the Commonwealth towards an equitable economic recovery.<sup>23</sup> Specifically, the report states that “Legislation is needed so that all families who pay state taxes are eligible for the state EITC.”<sup>23</sup> 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.<sup>24</sup> 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. Additional reforms included in H.2871/S.1841 and S.1852 would address other immediate and intermediate needs identified in the Health Equity Task Force’s report, specifically to 1) increase food access and security, 2) provide and increase emergency basic income, 3) assist landlords, homeowners, and tenants to prevent evictions and foreclosure, 4) create access and inclusion for immigrants, and 5) build “Communities of Opportunity”.<sup>23</sup>

Recent data from the Census Bureau’s Household Pulse Survey shows that still, in Massachusetts, 8 percent of adults — including 8 percent of those with children — do not have enough to eat, 11 percent are behind on rent, and 25 percent report difficulty covering usual household expenses.<sup>25</sup> 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, and 44 percent of these families experienced a job loss or reduced hours during the pandemic.<sup>26</sup> 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.

**Improvements to state EITCs are cost-effective and sustainable:**

While it is well-established that the EITC improves a range of positive outcomes among recipient – from poverty reduction, health improvement, educational attainment, 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.<sup>27</sup>

**Other states have expanded the EITC and invested in direct cash payments for families:**

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 financial stability with the added benefit of improving population health and long term economic outcomes. 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.<sup>28</sup> 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. State municipalities are also increasingly investing in Guaranteed Minimum Income pilot programs, including those in Massachusetts. Data from these programs, including initial findings from Massachusetts pilots referenced earlier, demonstrate that direct cash payments reduce hardship and poverty, address racial inequities, improve health, and stimulate local economies.<sup>29</sup>

Supporting the health and development of children and families across our Commonwealth is essential to our state’s equitable recovery and future prosperity and well-being. Currently, the state has an opportunity to do this by increasing the Massachusetts EITC’s availability, size, and participation through the five reforms included in H.2871/S.1841 and S.1852. These expansions will help to financially stabilize and reduce health disparities among children and families in Massachusetts – and especially among BIPOC and immigrant families. This approach has been recommended in two 2021 bipartisan reports from the legislature, and is necessary to reduce poverty, promote equity, and address the needs of children and entire households. For these reasons, we strongly urge you to continue to support children and families by swiftly and favorably reporting H.2871/S.1841 and S.1852 out of committee.

Sincerely,

Children’s HealthWatch

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