

NOW IS THE TIME!

Improve the Earned Income Tax Credit (EITC) **For Working Families**

A unique opportunity to encourage work, increase economic mobility, improve children's health, and help families meet their budget needs

From 2009 to 2013 median income for Massachusetts families fell by 5 percent, leaving 28.8 percent earning less than \$50,000 per year¹, and 16.0 percent (nearly 1 in 6) in poverty², up from 12.8% in 2009^{i, ii, iii}

- In 2013, severely cost-burdened households – paying 50 percent or more of their gross income on rent – surpassed one-fourth (26.4 percent) of all renter households in the region, up from 18.4 percent in 2000^{iv}

What is the Massachusetts EITC?

- Twenty-five states and the District of Columbia have state EITCs, ranging from 4 percent to 40 percent (average 16 percent) of the refundable portion of the federal EITC^v
 - Massachusetts' EITC is 15 percent of the Federal EITC amount; Washington D.C. has the highest refundable EITC at 40 percent (Maryland has a non-refundable EITC up to 50% of federal)
- The largest Massachusetts EITC returns (up to \$921) go to joint filers earning approximately \$10,000 to \$23,000 a year, with three or more children^{vi}
- In 2013, 406,000 working tax filers claimed the Massachusetts EITC;
- In 2010, 77 percent of those eligible, received Massachusetts EITC^{vii} (similar to national uptake rates)

Federal & state EITCs help move families out of poverty and improve health

- A large body of economic research finds expansions in the EITC have increased participation in the workforce, economic mobility, and opportunity^{viii}
- Previous EITC expansions are linked to improvements in children's health – \$1,000 of EITC income generated by the 1993 expansion reduced rates of low birth weight by 7 percent overall, and by 8.2 percent among African Americans – in high-poverty neighborhoods, the reduction was 13-15 percent^x
- EITC recipients buy more healthy food items including fresh fruits and vegetables, meat and poultry, and dairy products during the months when most refunds are paid^x
- After adding income from the EITC, the incidence of severe housing cost burden among EITC-eligible households in 1999 decreased by 15% overall, and by 31% among families with two children^{xi}
- EITC improves educational outcomes for young children in low-income households; Each \$1,000 increase (in 2001 dollars) in annual income for two to five years improves children's school performance on a number of measures, including test scores^{xii}

Now is the right time to expand the state EITC

- Increase the state Earned Income Tax Credit from 15 percent to 50 percent of the value of the federal EITC for all eligible recipients to reward work, increase economic mobility, reduce inequality, and improve children's health

For more information about the bill, please contact:

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¹ Estimated household budget needs for family of 4 in Boston, MA is \$86,502 (<http://www.epi.org/resources/budget/>)

² 2014 U.S. poverty threshold for family of 4 was \$23,850 (<http://aspe.hhs.gov/poverty/14poverty.cfm>)

Summary of Bill

Senate Docket #1110 (bill number not yet available)

House Bill - H.2479

Title: An Act Improving the Earned Income Credit for Working Families

Main Provisions:

1. Increases the state EITC from 15 percent of the federal credit to 50 percent of the federal credit
2. Directs the Department of Revenue to engage in an aggressive and comprehensive EITC promotion and outreach campaign to ensure no eligible EITC taxpayer fails to claim it.
3. Allows certain victims of domestic violence and abandoned spouses to access the credit.
4. This outreach campaign will bring an additional economic stimulus package of approximately \$208 million federal dollars into the Massachusetts economy.

AN ACT IMPROVING THE EARNED INCOME CREDIT FOR WORKING FAMILIES.

SECTION 1. Section 6 (h) of chapter 62 of the General Laws, as appearing in the 2012 Official Edition, is hereby amended by striking out, in line 239, the number "15" and inserting in place thereof the following number: - 50.

SECTION 2. Section 6 (h) of chapter 62, as so appearing, is further amended by striking out, in line 243, the number "15" and inserting in place thereof the following number: - 50.

SECTION 3. Section 6 (h) of chapter 62, as so appearing, is further amended by inserting after the word "interest" in line 249, the following paragraphs: (2) For purposes of the earned income credit under this subsection, a married taxpayer will satisfy the joint filing requirement under Section 32(d) of the Code if the taxpayer files an income tax return using a filing status of married filing separately and the taxpayer: (i) is living apart from the individual's spouse at the time the taxpayer files his or her tax return, (ii) is unable to file a joint return because the taxpayer is a victim of domestic abuse, and (iii) indicates on his or her income tax return in accordance with the relevant instructions that the taxpayer meets the criteria under (i) and (ii). (3) In order to ensure the widest possible dissemination the state and federal earned income credit, the department shall: (i) provide all employers with a multilingual poster and a notice that sets forth the rights to the earned income credit under this chapter; (ii) require that all employers doing business in Massachusetts post information about the earned income credit in a conspicuous location at the place of employment; (iii) coordinate a notification system by the commonwealth to applicants for and recipients of unemployment insurance under chapter 151A, applicants for and recipients of transitional assistance benefits, including food stamps, under chapter 18, and to recipients of subsidized health insurance under chapter 118E; and (iv) collaborate with labor organizations, chambers of commerce, municipalities, community-based organizations, and taxpayer advocates. The multilingual notice requirement in subsection (i) shall comply with the language requirements for employer's unemployment notices under section 62A(d)(iii) of chapter 151A.

For more information, contact

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ⁱ U.S. Census Bureau. (2013). American Community Survey

ⁱⁱ U.S. Census Bureau. (2013). American Community Survey

ⁱⁱⁱ Ibid.

^{iv} Bluestone, B., et al. (2013). The Greater Boston Housing Report Card 2013: What Follows the Housing Recovery?. *The Kitty and Michael Dukakis Center for Urban and Regional Policy Northeastern University*.

^v Davis, C., et al. (2014). Improving Tax Fairness with a State Earned Income Tax Credit. *Institute on Taxation and Economic Policy*.

^{vi} Maag, E., & Carasso, A.. (2014). Taxation and the Family: What is the Earned Income Tax Credit?. *Tax Policy Center*.

^{vii} Internal Revenue Service. (2013). EITC Central, Statistics for Tax Returns with EITC.

^{viii} Meyer, B. (2010). The Effects of the Earned Income Tax Credit and Recent Reforms. *National Bureau of Economic Research (NBER Book Series Tax Policy and the Economy)*.

^{ix} 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.

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

^{xi} National Low Income Housing Coalition. (2014). 40 Years Ago: The Earned Income Tax Credit.

^{xii} 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*. <http://www.cbpp.org/cms/?fa=view&id=3793>