

June 29, 2022

Senate President Karen Spilka
Senator Michael Rodrigues
Senator Adam Hinds

Speaker of the House Ronald Mariano
Representative Aaron Michlewitz
Representative Mark Cusack

Dear Senate President Spilka, Speaker Mariano, and Chairs of the Joint Committees on Ways and Means and Revenue,

The undersigned economists write to you in strong support of expanding the Massachusetts Earned Income Tax Credit (EITC) in tax relief legislation this session. Increasing the state match to 50% of the federal credit and extending eligibility to working immigrants who file with an Individual Tax Identification Number (ITIN) would improve the financial stability of more than 400,000 households in Massachusetts and promote economic prosperity across the Commonwealth.

Wealth and income inequality has grown dramatically in recent decades, resulting in gains to those at the highest income levels, to the detriment of low and middle income households. In Massachusetts, the average person in the top 1% of earners makes [nearly 31 times more](#) than the average earner in the bottom 99%. On this metric of income inequality, Massachusetts ranks [sixth](#) among states; the top 1% holds nearly 24% of all income. Despite this fact, lower-income households [shoulder](#) a higher share of state and local taxes than do higher-income households, transferring resources away from those who need it most.

The COVID-19 pandemic has only [exacerbated](#) these inequities. Lower-income Americans have faced the greatest uncertainty in job security and are overrepresented in roles as essential and front-line workers. Furthermore, these workers are often disproportionately people of color, women, and immigrants, due to structural barriers. By putting money back into families' pockets, the EITC is an effective anti-poverty tool that helps families meet basic needs and advances equity. Research shows that the EITC lowers overall income inequality [by 5% to 10%](#) in a typical year, with a greater impact for Black households who are overrepresented in the bottom half of income distribution.

In addition to reducing income inequality and lifting families out of poverty, research has shown that mothers receiving the EITC have [reduced incidence of low birth weight](#) and that children in these households fare better in school, are more likely to attend college, and tend to have higher salaries. Data has also suggested that the achievements are enhanced by the size of the credit. The EITC also boosts spending in local economies, as families use their bolstered income to purchase food and basic goods, make necessary home or car repairs, and pay bills including rent and utilities. As we write this, the effects of inflation frustrate many Americans. Price increases on necessities such as groceries and gas represent profound difficulties for many American households. Expanding the state EITC will provide many of these families with more resources to combat rising prices.

Prior to 2020, Massachusetts was a leader in providing a generous state EITC to low-income residents. Now, as many states have expanded their EITC in response to the economic fallout and disproportionate impact of COVID-19, Massachusetts has fallen behind in providing a more robust match to the federal EITC. Since the start of the pandemic, 14 states – including our New England neighbors Maine and Connecticut – plus Washington DC have increased or newly implemented a state EITC. During the same time period, 8 states as well as Washington DC have extended eligibility to immigrant workers who file with an ITIN and are excluded from claiming the federal credit, despite paying taxes. Given the high cost of living in Massachusetts – coupled with rising rates of inflation – expanding the EITC will provide much-needed support and help [build an equitable and inclusive economy](#). The EITC has enjoyed [bipartisan](#) support over the years because it has reduced poverty, encouraged work, and left lasting positive impacts on children.

Increasing Massachusetts' EITC from 30% to 50% of the federal EITC would strengthen and improve the impact of the credit for [nearly 400,000 households](#). Extending eligibility to ITIN filers would benefit an estimated [13,230 working immigrants](#). While the annual cost of these changes is estimated to be \$190.1 million (\$175.1 and \$15 million, respectively), this represents only a fraction of record-setting revenues collected over the past year in Massachusetts. 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 considering tax relief legislation, we urge the legislature to prioritize those most in need of support by including an increase to the state EITC and extending eligibility to working immigrants who file with an ITIN.

NOTE: Institutions are listed for identification purposes and should not be viewed as signatories to the letter.

Signatories (14):

Randy Albelda, Professor Emerita of Economics, University of Massachusetts Boston

Peter S. Arno, PhD, Director, Health Policy Research, Political Economy Research Institute, University of Massachusetts Amherst

Barry Bluestone, Professor Emeritus, Northeastern University

Gerald Epstein, Professor of Economics, Co-Director, Political Economy Research Institute, University of Massachusetts Amherst

Nancy R. Folbre, Professor Emerita of Economics, University of Massachusetts Amherst

Charles Homer, MD, PhD, Chair, Advisory Board, Children's HealthWatch

Sarah Jacobson, PhD, Associate Professor of Economics, Williams College

Lisa Lynch, Professor, Brandeis University

Arthur MacEwan, PhD, Professor Emeritus of Economics, University of Massachusetts Boston

Richard J. Murnane, Professor, Harvard University

Francisco Perez, PhD, Visiting Lecturer, Trinity College

Juliet Schor, Professor, Boston College

Jeannette Wicks-Lim, Professor, Political Economy Research Institute, University of Massachusetts Amherst

Brenda Wyss, PhD, Professor of Economics, Wheaton College

Andrew Zimbalist, Professor of Economics, Smith College