The Earned Income Tax Credit (EITC) improves health

- Previous increases in EITC have been shown to reduce rates of low birth weight and preterm birth.\(^1\) Health care costs for low birth weight/pre-term infants are more than 25 times the average cost of hospital stays for uncomplicated newborns—and those born pre-term have increased odds of ongoing health and developmental challenges. Improving birth outcomes will reduce health costs and set children on a positive trajectory for health and development.
- EITC may reverse declines in life expectancy among low-income Americans.\(^2\)
- EITC recipients buy more healthy food items during the months when most refunds are paid.\(^3\)

EITC stimulates the economy while reducing inequalities

- The Massachusetts EITC generated \$181 million worth of economic activity\(^4\) in 2015.
- After adding income from the EITC, the prevalence of severe housing cost burden, when families pay more than 30 percent of their income on rent and utilities, among EITC-eligible households in 1999 decreased by 15% overall, and by 31% among families with two children.\(^5\)
- EITC improves educational outcomes for children in low-income households; each \$1,000 increase (in 2001 dollars) in annual income for 2-5 years improved school performance measures, including test scores.\(^6\)
- If Massachusetts increased the state EITC to 50 percent of the federal EITC, 20,000 additional children and their families would be lifted out of poverty annually.\(^7\)

NOW is the time! Support An Act Improving the Earned Income Credit for Healthier Families (S.1521/H.1504), which will:

- Increase the state Earned Income Tax Credit from 23 percent to 50 percent of the value of the federal EITC for all eligible recipients to reward work, increase economic mobility, and improve children’s health.
- Enable abandoned spouses and survivors of domestic violence to safely access the state EITC.
- Direct the Department of Revenue to engage in a comprehensive EITC promotion and outreach campaign to ensure no eligible EITC taxpayer fails to claim their credit.

EITC by the Numbers in Massachusetts

- Compared to other Northeastern states, Massachusetts has a lower state EITC than Connecticut, New York, New Jersey, and Vermont.
- In 2014, an estimated 440,000 children lived in EITC-eligible homes in Massachusetts. Annually, federal EITC, combined with the federal Child Tax Credit, lifts roughly 76,000 children out of poverty.\(^8\) The Massachusetts EITC lifts approximately 6,000 additional children and their families out of poverty annually.\(^4\)
- If the Massachusetts EITC were increased to 50 percent of the federal credit, the maximum state credit available to a family (one or two parents) with 3 or more children would rise to \$3,135 and for a family (one or two parents) with two children, it would rise to \$2,786.\(^7\) This would mean more families in the Commonwealth would be able to afford household heating costs for an entire winter or four to five months of groceries or three months of full-time child care in a center-based care for a four-year-old.\(^4\)

For more information about the bill, please contact:
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Summary of Bill

Senate Bill S.1521
House Bill H.1504

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

Main Provisions:
1. Increases the state EITC from 23 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 abandoned spouses and survivors of domestic violence to access the credit.
4. This outreach campaign will bring an additional economic stimulus package of approximately $208 million dollars into the Massachusetts economy.

AN ACT IMPROVING THE EARNED INCOME CREDIT FOR HEALTHIER 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 “23” 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 “23” 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 survivor 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 of 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.

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

5 National Low Income Housing Coalition. (2014). 40 Years Ago: The Earned Income Tax Credit.