

The Joint Committee on Revenue
Massachusetts State House
24 Beacon Street
Boston, MA 02113

February 22, 2022

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

Thank you for the opportunity to submit testimony on H.4361: *An Act to improve Massachusetts' competitiveness and reduce the cost of living*. On behalf of Children's HealthWatch, a nonpartisan network of pediatricians, public health researchers, and children's health and policy experts committed to improving children's health in America, we appreciate the proposal's inclusion of provisions that provide financial relief for families with children. However, in considering this legislation, we strongly urge the Committee to further and more effectively target these efforts towards families with low incomes by **increasing the state match of the Earned Income Tax Credit (EITC) to 50 percent of the federal credit, and expanding EITC eligibility to immigrant taxpayers who file with an Individual Tax Identification Number (ITIN)**.

The mission of Children's HealthWatch, headquartered at Boston Medical Center, 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. Since 1998, we have interviewed over 80,000 caregivers of children under four years of age and analyzed the data to determine the impact of public policies on the health and development of young children.

Widely regarded as one of the most effective anti-poverty tools in the United States, the EITC is a refundable federal tax credit for low- and moderate-income working families. The state EITC works as a complement to this, currently matching 30 percent of the federal credit. Over the past forty-five years, research has shown that the EITC helps families meet basic needs, stimulates the economy, and promotes work. By putting more money back into families' pockets, the EITC lifts children and families out of poverty. In 2018, the federal EITC kept 5.6 million people – over half of them children – out of poverty. The EITC is also effective at reaching communities of color. Expansions to the credit have historically had a larger net positive impact for people of color – particularly Black and Latinx families – who are overrepresented among low-wage workers and disproportionately experience higher rates of poverty and associated poor health outcomes.¹

Research over the past few years has shown that in addition to economic benefits, the EITC also improves the health of children and adults both in the short term and throughout their lives. Previous expansions to the EITC have been strongly associated with a decrease in infants born with low birth weights among pregnant women eligible for the credit.² 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.³ 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.^{4,5} Supplemental EITC programs have also been found to increase health-related quality of life and longevity among people with low incomes.⁶ Furthermore, research shows that the EITC may even improve life expectancy among people with low incomes in the U.S.⁷ Given this evidence, the Centers for Disease Control and Prevention (CDC) describes the credit as “one of the best public health interventions available.”⁸ In their recent Health Impact in Five Years (HI-5) Initiative, the CDC identified EITC as an evidence-based and cost-effective approach to achieve positive health results within five years, especially maternal and child health outcomes.⁹

Permanent expansions to the EITC are critical now more than ever 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 inequities.¹⁰ **By offering a more generous refund or deduction, increasing the state match rate to 50 percent will further the anti-poverty impact of the EITC and provide more than 375,000 hardworking households filing income taxes across virtually every city and town with additional income to support financial stability and economic recovery.**¹¹ It will also mitigate the impact of rising inflation for households with low incomes who are most impacted by the rising costs of living. This change aligns with the recent bipartisan report “[Reimagining the Future of Massachusetts](#)” (SD.2782), prepared by the Senate Committee on Reimagining Massachusetts Post-Pandemic Resiliency, which recommends “a more generous EITC or a refundable credit for caregivers.” Extending eligibility to include immigrant workers who file taxes with an ITIN will further the equity impact of the credit. This change would benefit an estimated 13,200 Massachusetts households (assuming current participation rates of those eligible for EITC persist).¹² Notably, this expansion is included in the recent bipartisan report prepared by the legislature’s Health Equity Task Force, “[A Blueprint for Health Equity](#)” (SD.2731), to advance equity and move the Commonwealth towards and equitable economic recovery. Specifically, the report states “legislation is needed so that all families who pay state taxes are eligible for the state EITC.” 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. Furthermore, this would create consistency in our policies and refundable tax credits, as immigrants who file taxes with an ITIN are eligible for the state’s Household Dependent Member Credit – a credit highlighted in the Governor’s proposal.

Based on Governor Baker's FY 2022 tax expenditure budget, increasing the credit from 30% of the federal credit to 50% would cost \$175.1 million. The Massachusetts Budget and Policy Center estimates that 13,230 eligible ITIN returns would result in an additional cost of \$9.3 million at the current EITC match rate of 30%.¹² If ITIN eligibility expansion was coupled with an EITC increase to 50% of the federal credit, the ITIN component cost would be approximately \$15 million.¹² These EITC-related policy changes have similar cost estimates to a number of the provisions included in H.4361, but put more

money in the hands of lower income people by providing a greater amount of relief to the families who need it most.

In response to the economic fallout of COVID-19 and the disproportionate impact on communities of color, immigrant families, and families with low incomes, other states have recognized and used EITC as an existing vehicle to improve financial stability and stimulate the economy, with the added benefit of improving population health. For example, in response to the pandemic's economic impact Maryland temporarily increased its state EITC match rate from 28 to 45 percent of the federal credit for families with children, and 100 percent for workers without children during tax years 2020 through 2022.¹³ Given the evidence and positive impact, the Maryland Governor just last month made these changes permanent in the state's similar tax relief package. In addition, our neighboring New England state Connecticut just increased the state EITC match rate from 23% to 30.5%, and retroactively increased the 2020 credit to 41.5%. Even the conservative state Utah just passed a tax relief package to implement a state EITC. Furthermore, 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.

As a nonpartisan network of pediatricians and children's health and policy experts, we understand the harmful health consequences of financial instability, as well as the critical role of government programs and policies in stabilizing families, improving health, and promoting racial health equity. Our research and that of others demonstrate that children and their families need access to basic needs throughout their lifetime – including healthy food, stable homes, health care, and child care – in order to thrive. Lack of access to these basic needs is associated with poor child health and development, poor parental physical and mental health, and child hospitalization rates.^{14,15,16} The health impact of these hardships is often compounded, as they are frequently experienced simultaneously, often as a result of limited income and resources.¹⁷ Currently, the state has an opportunity to prevent this, improve the health of young children and their families, and address longstanding inequities by investing in the EITC.

Given the equity implications of the EITC, coupled with its documented health and economic benefits, inclusion of these improvements to the state EITC offer a promising strategy to pass an equitable and comprehensive tax package that support hardworking low-income families and save the Commonwealth future costs. As you consider the tax relief bill before you and explore ways to address the needs of households within the Commonwealth, we strongly urge you to improve the EITC to provide critical support to families with low incomes and immigrants with ITINs left out of other pandemic relief. This approach is fiscally sustainable, will reduce poverty, address health disparities, and support the well-being of marginalized communities across Massachusetts.

Sincerely,

Children's HealthWatch

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