



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 the Healthy Families EITC Coalition, we strongly urge the Committee to include provisions in this tax bill that offset costs for families with low incomes and reduce disparities in the Commonwealth. Specifically, **we urge the Committee to increase the state match of the Earned Income Tax Credit (EITC) to 50 percent of the federal credit, and to expand EITC eligibility to immigrants who file taxes with an Individual Tax Identification Number (ITIN).**

The Healthy Families EITC Coalition is a statewide nonpartisan network of advocates working to improve the health and well-being of Massachusetts children and families through an expansion of the state EITC and support of free tax preparation sites. Our 30-plus member coalition convened by Children's HealthWatch at Boston Medical Center and 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. While we are appreciative of provisions currently in H.4361 that would support households with low incomes – namely the doubling of the household dependent care credit – we urge the legislature to make improvements to the EITC in order to more equitably and generously target families with low incomes.

Increasing the EITC match rate and expanding eligibility to immigrant workers would directly support families disproportionately impacted by the pandemic and still struggling to make ends meet. 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>1,2,3</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>4</sup> 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 health and financial recovery, as lessons from the Great Recession demonstrate that these families will take longer to recover than others, even as the economy as a whole rebounds.<sup>5</sup>

Federal and state EITCs offer a tax break for low- and moderate-income working families that boost their financial resources and help alleviate economic hardship. In addition to supporting financial stability, the EITC is associated with health benefits across the lifespan. 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>6</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>7</sup> These children have better school performance, greater college enrollment, and increased work and earning in adulthood.<sup>8</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>9</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>10,11</sup> Supplemental EITC programs have also been found to increase health-related quality of life and longevity among people with low incomes.<sup>12</sup> Furthermore, research shows that the EITC may even improve life expectancy among people with low incomes in the U.S.<sup>13</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>14</sup> In addition, putting money back into the pockets of individuals enables increased spending in local economies. 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>15,16</sup>

The EITC is effective at reaching communities 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-wage workers and disproportionately experience higher rates of poverty and associated poor health outcomes.<sup>17</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>18</sup>

**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.**<sup>19</sup> 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).<sup>20</sup> 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%.<sup>12</sup> 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.<sup>12</sup> 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.

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>21</sup>

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.<sup>22</sup> 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 excluded from federal relief.

As you consider the tax relief bill before you and explore ways to address the needs of households within the Commonwealth, we urge you to increase the state EITC match rate to 50 percent and expand eligibility to immigrants who file taxes with an ITIN. This approach is fiscally sustainable, will reduce poverty, address health disparities, and support the well-being of marginalized communities across Massachusetts.

Sincerely,

The Healthy Families EITC Coalition

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