



Written Testimony
Joint Committee on Ways and Means
Boston, MA

10/1/2021

Chairman Rodrigues, Chairman Michelwitz, and distinguished members of the Joint Committee on Ways and Means:

Thank you for the opportunity to submit testimony to inform the distribution plan for the \$4.8 billion in federal American Rescue Plan Act (ARPA) funding in Massachusetts. On behalf of the Healthy Families EITC Coalition, we strongly urge the Committees to allocate a portion of the funds to programs that reduce disparities in the Commonwealth. Specifically, **we urge the Committees to use funds to increase the state match of the Earned Income Tax Credit (EITC) to 50 percent of the federal credit, expand EITC eligibility to immigrants who file taxes with an Individual Tax Identification Number (ITIN), and increase state support of Volunteer Income Tax Assistance (VITA) sites.**

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 increase in the state Earned Income Tax Credit (EITC) and supporting free tax preparation sites, we appreciate the Committee hearing's focus on education, social equity, safety net, and families. Our 30-plus member coalition convened by Children's HealthWatch at Boston Medical Center 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.

We believe the ARPA funds provide a significant opportunity to address longstanding health and social inequities that led to the disproportionate impact of COVID-19 by investing in programs and policies that support communities most affected by the economic fallout of COVID-19 – specifically Black, Indigenous, people of color (BIPOC), immigrant families, and families with low incomes – as is intended. Currently, the state has an opportunity to increase the Massachusetts EITC's availability, size, and participation to reduce health disparities among low-income children and families in Massachusetts – and especially among BIPOC and immigrant families.

Recent census data shows that still, in Massachusetts, 7 percent of families – including 7 percent of those with children – do not have enough to eat, 10 percent are behind on rent, and 23 percent report difficulty covering usual household expenses.¹ These families are overwhelmingly those of color and those with low and moderate incomes. A recent survey conducted by the Massachusetts Department of Public Health (DPH) of more than 35,000 residents in the state found that 70 percent of families with incomes below \$35,000 worried about paying for one or more household expenses, an 44 percent of

these families experienced a job loss or reduced hours during the pandemic.² The DPH survey also found that 73 percent of Hispanic households and 73 percent of Black non-Hispanic households worried about paying for one or more expenses during the pandemic, compared to 41 percent of white non-Hispanic households. Changes to the EITC would directly support these families still struggling to make ends meet. 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.^{3,4,5} The health impact of these hardships is often compounded, as they are frequently experienced simultaneously, often as a result of limited income and resources.⁶ 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 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.⁷

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.⁸ 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.⁹ These children have better school performance, greater college enrollment, and increased work and earning in adulthood.¹⁰ 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.¹¹ Research supported by the Centers for Disease Control and Prevention (CDC)'s Division of Violence Prevention (DVP) shows that refundable state EITCs hold promise for preventing certain adverse childhood experiences (ACEs) including child abuse and neglect and exposure to adult psychological distress and suicides.¹² 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.^{13,14} Supplemental EITC programs have also been found to increase health-related quality of life and longevity among people with low incomes.¹⁵ Furthermore, research shows that the EITC may even improve life expectancy among people with low incomes in the U.S.¹⁶ 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.¹⁷

An approach to boost income improves health and financial stability, and also gives families freedom and dignity by enabling them to prioritize their own basic need and to make choices that are best for their family. Building on success in other cities, Chelsea and Cambridge have recently launched universal basic income pilots to evaluate the impact of providing direct cash to families in Massachusetts. Initial findings on spending from Chelsea found that nearly three quarters of all families spent the funds on food. Other spending included clothes, utilities, and transportation.¹⁸ 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.^{19,20}

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 income workers and disproportionately experience higher rates of poverty and associated poor health outcomes compared to white families.²¹ 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.²² Given this evidence, coupled with the documented health and economic benefits of the EITC, an investment to increase the EITC match to 50 percent and to extend the credit to immigrant workers who file taxes with an ITIN is a promising strategy to support families most impacted by the pandemic, and to save the Commonwealth future costs.

An increase to the state EITC would provide more than 375,000 households filing income taxes across virtually every city and town with additional income to support financial stability and recovery.²³ Extending the EITC to immigrant workers who file using an ITIN and are currently excluded from the credit would benefit an estimated 13,200 households.²⁴ 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. **Notably, this expansion is recommended by the legislature’s Health Equity Task Force to advance equity and move the Commonwealth towards and equitable economic recovery.**²⁵

Based on the Governor Baker's FY 2022 tax expenditure budget, which anticipates revenue impacts of tax policy in FY2022, increasing the credit from 30 percent of the federal credit to 50 percent would cost \$175.1 million.²⁶ A recent report from Massachusetts Budget and Policy Center estimates (assuming participation rates of the currently eligible EITC population) 13,230 eligible ITIN returns would result in an additional EITC cost of \$9.3 million at the current EITC match rate of 30 percent. 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.²³ In order to ensure that all tax filers eligible or newly-eligible for the EITC are able to access the credit, as well as other working families tax credits, such as the Child Tax Credit, MASSCAP (Massachusetts Association for Community Action) as part of the Healthy Families EITC Coalition recommends an additional investment of \$2 million for VITA sites over time over time to help VITA sites expand to full year services.

Improvements to the State EITC are a Cost-Effective and Sustainable Use of ARPA Funds. 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.²⁷

While the total annual cost of increasing the MA EITC to 50 percent of the federal credit and expanding eligibility to ITIN filers is estimated to be \$190.1 million, it represents only a small fraction (0.4 percent) of the total \$47.6 billion Massachusetts Fiscal Year 2022 (FY22) budget and is only 3.96 percent of the \$4.8 billion ARPA funding at the discretion of the legislature. While expanding and improving the MA EITC will directly benefit more than 375,000 households filing income taxes across virtually every city and town, it only accounts for a small fraction of total spending by the Commonwealth, and does not pose an unsustainable burden on the state's ability to raise necessary revenue to maintain these improvements beyond the ARPA funding. Further, 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 response to the economic fallout of COVID-19 and the disproportionate impact on BIPOC and immigrant families as well as families with low incomes, other states have leveraged ARPA funding and used EITC as a vehicle to provide immediate emergency financial stability with the added benefit of improving population health and long term economic outcomes. For example, Maryland temporarily increased its state EITC from 28 percent to 45 percent for tax years 2020 through 2022, in response to the pandemic's economic impact.²⁸ In addition, California, Colorado, Maryland, New Mexico, Oregon, and Washington have all passed legislation making ITIN filers eligible for the state EITC, and many states – including Oregon, Washington, California, and New York – have established additional COVID-related relief funds for ITIN filers and other immigrants who were excluded from federal relief.

As you explore ways to address the needs of households within the Commonwealth amid the current public health and economic crises, we urge you to improve the EITC and VITA sites capacity 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. We strongly urge you to invest this small relative portion of the ARPA funds to increase the EITC rate to 50 percent, and expand eligibility for the credit to immigrants who file taxes with an ITIN, and increase state support of VITA sites.

Sincerely,

The Healthy Families EITC Coalition

ABCD/Action for Boston Community Development
Boston Children's Hospital
Boston Indicators
Boston Medical Center
Boston Public Health Commission
Boston Tax Help Coalition

Brazilian Women's Group
Brazilian Worker Center
Children's HealthWatch
EMPath
Greater Boston Legal Services
Greater Lawrence Family Health Center
Groundwork Lawrence
Homes for Families
Jane Doe
Jewish Community Relations Council
Jewish Community Relations Council
Jewish Vocational Services
Massachusetts Association for Community Action (MASSCAP)
Massachusetts Association of Community Development Corporations (MACD)
Massachusetts Communities Action Network
Massachusetts Essentials for Childhood Initiative
Massachusetts Immigrant and Refugee Advocacy Coalition (MIRA)
Massachusetts Law Reform Institute (MLRI)
Massachusetts Nonprofit Network
Massachusetts Public Health Association
Massachusetts Budget & Policy Center
Massachusetts Public Research Interest Group (MASSPIRG)
Metropolitan Area Planning Council
Midas Collaborative
NAACP, New England Area Conference
National Consumer Law Center
New England United for Justice
One Family, Inc.
Project Bread
StreetCred
The Boston Foundation
United Way of Massachusetts Bay and Merrimack Valley

¹ Tracking the COVID-19 Economy's Effects on Food, Housing, and Employment. Center on Budget and Policy Priorities. 2021. Available at <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-economys-effects-on-food-housing-and>

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