Testimony in support of H.2434, S.1646, H.2431, S.1640
Joint Committee on Revenue
Hearing: Personal Income Tax
Boston, MA

July 23, 2019

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

Thank you for the opportunity to submit testimony on behalf of Children’s HealthWatch in support of H.2434, S.1646, H.2431, S.1640. As a nonpartisan network of pediatricians, public health researchers, and children’s health and policy experts committed to improving children’s health in America, we know children and their families need enough resources to live in safe, stable homes, consistently eat nutritious meals, be able to keep the heat and lights on, have access to childcare, and be able to afford basic needs without sacrificing expenses in order to thrive.

Headquartered at Boston Medical Center, our mission 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 70,000 caregivers and analyzed those interviews to determine the impact of public policies on the health and development of children.

Children’s HealthWatch is also the convener of the Healthy Families EITC Coalition, which is a statewide nonpartisan network of advocates formed in 2015, working to improve the health and well-being of Massachusetts children and families by enhancing the state Earned Income Tax Credit (EITC) and supporting free tax preparation sites. Our 40-plus member coalition is comprised of a diverse array of community-based agencies, legal advocates, professional associations, and most importantly - Massachusetts workers and their families.

As pediatricians and public health researchers, we are concerned about the effects of economic hardships that families with young children across the Commonwealth face. Currently, the state has opportunities to improve the health of young children and reduce economic hardship by enacting legislation that responds to the realities of working families with young children. We write today in strong support of the following bills:

- H.2434/S.1646 – An Act improving the earned income credit for working families/An Act improving the earned income credit for healthier families
- H.2431/S.1640 – An Act to support voluntary income tax assistance sites and expand access to the earned income tax credit

Widely regarded as one of the most effective anti-poverty programs in the United States, the Earned Income Tax Credit (EITC) offers a tax break for low- and moderate-income working families. Research shows that EITC improves health, including birth outcomes and life expectancy, is associated with better educational outcomes, and stimulates the economy. In 2018, the federal EITC lifted approximately 50,000 children and their families out of poverty in our Commonwealth, and the Massachusetts EITC generated an estimated $266 million worth of economic activity. Given these effects, legislation to
increase the EITC and improve access are necessary to promote economic mobility and health of working families in the Commonwealth.

H.2434/S.1646 will significantly improve the health and financial stability of families with children by increasing the MA EITC from 30% to 50% of the federal credit, which would lift an additional 20,000 children and their families out of poverty,

Several studies show previous increases in EITC have been linked to positive health outcomes - specifically reductions in rates of low birth weight and preterm birth.\(^3\,^4\) Among mothers, the EITC has also been associated with improved mental and physical health.\(^5\,^6\) Because EITC boosts health, it may also reduce health care costs. For low birth weight and preterm birth, health care costs 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, which lead to higher expenditures in health care and education. An increase in EITC also directly contributes to improved educational outcomes for children in low-income households;\(^7\) each $1000 increase in annual income for 2-5 years of life improves school performance measures, including test scores.\(^8\) For all of these studies, the dose of the credit matters for health and educational outcomes. Unfortunately, the recent tax reform package passed by Congress in 2017 dilutes the dose of the federal EITC through a change in which inflation for the EITC is calculated. This change will significantly decrease the real value of the credit over time. Increasing the state EITC is a critical step toward ensuring families in the Commonwealth continue to receive the maximum health-boosting benefit possible from the credit.

Given these effects, it is important that legislation not only expands the amount of EITC available, but also ensures that all families with low incomes are able to access the credit. The 2017 federal tax reform law rescinded eligibility to the Child Tax Credit, a credit similar to EITC, for many immigrant families. This change means that low-income families with a range of immigration statuses are no longer eligible for any working family tax credits on the federal or state level. Ensuring that immigrants in the Commonwealth are at least able to access the state EITC will mitigate some of the harm done on the federal level to immigrants. H.2434/S.1646 bills would enable certain immigrant taxpayers who file with an Individual Tax Identification Number (ITIN) to access the EITC, further promoting health and economic prosperity across the Commonwealth.

As pediatricians and researchers, we know that the EITC is good medicine for our patients and their families. Like any good medicine, however, we must make sure that the medicine is available to all who need it, the dosage is right, and the prescription can easily be filled.

By increasing the EITC to 50 percent of the federal level, ensuring that all families with low incomes, including immigrants, are able to access the credit, and supporting VITA sites to help working families access the EITC, we have an opportunity to improve the health, well-being, and economic mobility of families with children across the Commonwealth. We urge the committee to swiftly and favorably report these important pieces of legislation out of committee.

Sincerely,
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Total federal EITC received in 2018 in MA was approximately $804 million. The estimated amount MA EITC that went to claimants in 2018 was 23% of the federal EITC or $184.92 million. The economic multiplier for EITC dollars is approximately $1.44 and the estimated economic activity of the MA EITC is $184.92 million multiplied by $1.44 or approximately $266 million.


