An Act providing a guaranteed minimum income to all Massachusetts families

Filed by Senator Jamie Eldridge (S.1852)

This bill will create a guaranteed minimum income (GMI) to ensure that everyone in the Commonwealth can attain a basic standard of living. Creating a GMI program in Massachusetts will be accomplished by enhancing the state’s Earned Income Tax Credit (EITC) so that it covers more households and delivers larger cash benefits.

Background

- The current EITC is a refundable tax credit for low- and moderate-income working people that supports financial stability, encourages and rewards work as well as offsets federal payroll and income taxes.
- The state EITC works as a complement to the federal EITC, currently matching 30 percent of the federal credit.
- This bill proposes a suite of five reforms to the state EITC, which includes a guaranteed minimum credit of $2,400 per year for households earning up to $50,000.

What does this legislation do?

1. Increase the state match rate from 30 to 50 percent of the federal credit
2. Establish a minimum $2,400 credit for low to moderate income households earning up to $50,000 and those with no taxable income at all
3. Extend the GMI credit to middle-income families who are currently ineligible by expanding the phase-out rate to those earning up to $75,000
4. Expand the credit to previously excluded groups of people, including:
   - Immigrants who pay taxes with an ITIN (Individual Tax Identification Number)
   - Unpaid caregivers of children under the age of 6, dependents who are permanently and totally disabled, or qualifying relatives over the age of 69
   - Low-income college students not supported by a parent or caregiver
   - Younger (<25) and older adults (65+) without children
5. Improve access to the GMI credit through more frequent payments options and increased communications and outreach

How would this affect MA households?

- The current match rate of the EITC would provide single filers in 2021 with a maximum credit of $1,794 and joint filers with a maximum credit of $2,018. Increasing the state match to 50% of the federal credit and providing a $2,400 base credit would lift the minimum credit for both
single and joint filers and provide them with a maximum credit of $3,364. Families with more than three children would receive a further 5% match for each additional child.

- Households without children and those with no or limited income, who benefit minimally from the current EITC structure, would become eligible for a $2,400 base credit. Further, the base credit would be available to unpaid caregivers, who are often unable to work and are currently ineligible for the EITC. This transformation to a GMI would provide an income floor and affirm that everyone deserves a basic level of support, no matter what their work status is, while maintaining of the original structure of the EITC designed to encourage work.

- Immigrants who file taxes using an ITIN are currently ineligible from the EITC, despite paying the same share of income taxes as those with Social Security Numbers. These families are also often excluded from assistance programs that support incomes. These households would become eligible for the GMI base credit, enabling them to better afford expenses.

- Currently, the refundable EITC is available to families and individuals in one lump sum after the tax return is received. The GMI credit would maintain this structure, while also allowing 50 percent of the credit to be disbursed on a biweekly basis in advance over the course of the tax year. This option would help households integrate GMI credit payments into their budgeting, manage finances throughout the year, and prevent debt or arrearages.

To learn more and get involved in the Healthy Families EITC Coalition, contact Richard Sheward, richard.sheward@bmc.org or 518-265-5343; or Charlotte Bruce, charlotte.bruce@bmc.org or 617-733-9760

For more information on S.1852, contact David Emer, Legislative Director & General Council for Senator Eldridge, at David.Emer@masenate.gov