

Strengthening the Massachusetts Earned Income Tax Credit for Immigrant Working Families



The Earned Income Tax Credit (EITC) improves the health and well-being of children and lifts families out of poverty across the Commonwealth of Massachusetts.

Currently, however, not all families in Massachusetts are eligible to claim the state EITC, despite living and working in the Commonwealth. These families include immigrants who file taxes using an Individual Tax Identification Number (ITIN), which is issued by the Internal Revenue Service. If Massachusetts expands eligibility of the state EITC to include these families, the state would be the first in the nation to do so, and demonstrate commitment to invest in all children and families so they have better opportunities to live fulfilling and prosperous lives.

► **Individual Taxpayer Identification Number (ITIN)** — a tax processing number issued by the Internal Revenue Service (IRS). The IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain, a Social Security Number (SSN) from the Social Security Administration (SSA).²⁴

Impact on families: Nearly 20,000 taxpayers file taxes with an ITIN in Massachusetts.²⁵

► **Earned Income Tax Credit (EITC)** — a refundable tax credit that working families with low and moderate incomes can claim at tax time. Nearly 400,000 families in Massachusetts claim EITC annually and receive an estimated \$3,510 in federal and state EITC on average.²⁶

Impact on families: The EITC helps families make ends meet, improves health, and lifts families out of poverty.

► **Volunteer Income Tax Assistance (VITA) Sites** — offer free tax preparation services to low-income individuals and families.

Impact on families: VITA sites save families nearly \$300 on average per filer each tax season by providing free, IRS-certified, and highly accurate tax preparation services.²⁷

► **Child Tax Credit (CTC)** — given to taxpayers for each qualifying dependent child who is under the age of 17 at the end of the tax year.²⁸

Impact on families: The CTC helps families offset the cost of raising children. Similar to EITC, the CTC helps families make ends meet.²⁹

Tax credits benefit working families in Massachusetts

The EITC is our nation's most effective program for reducing poverty by supplementing the earnings of low-wage workers and encouraging work. The Child Tax Credit (CTC) is similar to the EITC and is given to taxpayers for each qualifying dependent child who is under the age of 17 at the end of the tax year.¹ In 2016, about 1.1 million people in Massachusetts benefitted from the federal EITC and CTC, including about 580,000 children. Approximately 150,000 people in Massachusetts have been kept out of poverty because of the effectiveness of the EITC and CTC.² Massachusetts currently has a state EITC that provides a 30% match of the federal credit to taxpayers eligible for the federal EITC. The state, however, does not have a state-level CTC.

EITC improves child and family health

Research shows that receiving the EITC is associated with improvements in mental and physical health of mothers.³ In children, previous increases in the EITC have been shown to reduce rates of low birth weight and preterm birth, which in turn set children on a positive trajectory for health and development and may reduce health care costs.⁴ In addition, the EITC improves neighborhood health through mechanisms including stress reduction and lower crime.⁵ Research has also shown the EITC improves educational outcomes for children in low income households.^{6,7}

Health and economic disparities among immigrant families

While the EITC effectively reduces poverty and improves health outcomes among nearly 400,000 families across Massachusetts, there is still opportunity to expand the credit to reach more families, especially those at greatest risk of economic hardships, including immigrant families.

In Massachusetts, nearly three in ten children have at least one immigrant parent.⁸ Data show that citizen children of immigrant parents are more likely to live in a family with a full-time worker compared to children of U.S. born parents.⁹ However, research also shows that children of immigrants have higher rates of poverty and economic hardships than U.S. born families. Immigrant families disproportionately experience housing instability, food insecurity and lack access to health care.¹⁰⁻¹³ Each of these hardships is independently associated with short and long-term adverse health and developmental outcomes for young children.¹⁴⁻¹⁸ In Massachusetts, nearly two-thirds of the 1.2 million immigrants residing in the state are employed, but despite working they are disproportionately affected by poverty and economic hardship.^{19,20}



THE PROBLEM: Immigrant families are shut out from claiming working family tax credits that improve health

Hardships faced by immigrant families may be exacerbated by recent changes to federal tax law. In 2017 Congress passed the Tax Cuts and Jobs Act, which, among many other changes to the tax code, eliminated eligibility for many immigrant families to the Child Tax Credit (CTC), a credit similar to the EITC that provides critical monetary resources to working families with low incomes. Following the passage of the national tax reform package, an estimated 20,000 families in Massachusetts lost eligibility for the CTC.²¹ These eligibility changes affect immigrant children and their families, including family members who are U.S. citizens or legal permanent residents, because even though these families with low incomes continue to pay their taxes, they are no longer eligible to receive the financial boost of up to \$2,000 at tax time.²² Losing this resource may put immigrant families at increased risk of economic hardship and poor health outcomes. Therefore, solutions that alleviate hardship are necessary.

THE SOLUTION: Strengthen and Expand the Massachusetts Earned Income Tax Credit to Include All Working Families in the Commonwealth

The Massachusetts state EITC is an evidence-based solution for improving health and reducing economic hardships among children and families. Currently, Massachusetts has the opportunity to protect the health of immigrant families by expanding the eligibility of the state EITC to include taxpayers who file their taxes with an ITIN. To ensure all families in the Commonwealth experience the full benefits of the EITC, we recommend the following policy improvements.

Recommendations to Support Healthy Children and Families

State Policy Recommendations

1. **Enable taxpayers who file with an Individual Tax Identification Number (ITIN) to access the Massachusetts EITC.** Expanding state EITC eligibility to taxpayers who file with an ITIN would allow certain immigrants, with a range of legal statuses, to claim the state EITC, which would help families make ends meet.
2. **Increase the Massachusetts EITC from 30% to 50% of the value of federal EITC.** Increasing the MA EITC to 50% of the federal credit would increase economic mobility and improve children's health.
3. **Direct the Department of Revenue to engage in a comprehensive EITC promotion and outreach campaign.** Directing the Department of Revenue to engage in comprehensive outreach would increase awareness of EITC and help eligible EITC taxpayers claim their credit.
4. **Establish state funding for Volunteer Income Tax Assistance (VITA) sites.** Establishing state funding for VITA sites would ensure VITA sites in Massachusetts are able to provide free, IRS-certified, and highly accurate tax preparation to low-income taxpayers.

Federal Policy Recommendations

1. **Reinstate eligibility to the Child Tax Credit for children who possess an ITIN.** Making children who possess ITINs eligible for the CTC will help their families afford necessities such as food and housing. These children were eligible for the CTC before the Tax Cut and Jobs Act of 2017 passed.

Conclusion

Massachusetts has the opportunity to lead the nation once again in strengthening and expanding the state EITC. To improve the health of young children, we recommend the state expand access to the state EITC to include immigrants who file with an ITIN, raise the value of the credit, and raise awareness and increase access to EITC. These changes would also alleviate economic hardships

for more than 400,000 families in the Commonwealth and an additional 20,000 families would be able to claim the state EITC.²³ Implementing this eligibility expansion would demonstrate to the rest of the nation that Massachusetts is committed to improving the health and life outcomes for all who call Massachusetts home.

About Children's HealthWatch Children's HealthWatch is a nonpartisan network of pediatricians, public health researchers, and children's health and policy experts. Our network is committed to improving children's health in America. We do that by first collecting data in urban hospitals across the country on infants and toddlers from families facing economic hardship. We then analyze and share our findings with academics, legislators, and the public. These efforts help inform public policies and practices that can give all children equal opportunities for healthy, successful lives.

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