

Ending the Tax Penalty Against Working Immigrants

Immigrants in Massachusetts have shouldered an outsized risk as frontline workers during the pandemic. Yet thousands of them and their families who work and pay taxes are prevented from receiving important support through the **Earned Income Tax Credit (EITC)** because they are ineligible for a Social Security Number. If the Commonwealth extended its EITC to people who pay taxes with an **Income Tax Identification Number (ITIN)**, an estimated additional 13,200 households would apply for and benefit from the credit. For the Massachusetts state budget, the cost of extending the credit would be about \$9.3 million.

The law requires all wage earners to pay taxes, regardless of immigration status. The Internal Revenue Service provides immigrants who are ineligible for a Social Security Number with an ITIN) so they can comply with tax laws. Immigrants paying taxes with an ITIN are taxed the same as any other taxpayer, and can use the ITIN to document their physical presence and work history, or to help with opening a bank account or obtaining a mortgage.



The EITC reduces poverty and provides economic support to more than 375,000 households in Massachusetts. The maximum credit for tax year 2020 ranged from \$161 for a single filer to \$1,998 for a filer with three or more qualifying children. The amount of the credit depends on income and family size, phasing out completely by a bit under \$57,000 for the largest family type. Those who owe little or no income tax receive a check for any remaining amount of their credit.

Without a Social Security Number, approximately 18,500 otherwise-eligible Massachusetts households lose out on all the benefits of the EITC, many of whom have U.S. citizen children and spouses. If even one member of a family lists an ITIN rather than a Social Security Number, the whole family is ineligible for the EITC.

Five other states recently enacted laws to extend their EITC to tax filers who use an ITIN, thereby including all resident taxpayers regardless of immigration status. Policymakers in Massachusetts should do the same.

A more detailed version of this paper with sources, can be found at massbudget.org.