

October 1, 2021

Testimony to the Joint Ways and Means Committees on Using Federal ARPA Funds to Follow Other States in Extending EITC Benefits to ITIN Filers

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

Thank you for the opportunity to testify on plans for using the nearly \$5 billion in unassigned federal American Rescue Plan Act (ARPA) funding for Massachusetts.

I am a Senior Analyst at the Massachusetts Budget and Policy Center, a think tank providing research and analysis for policy solutions in the Commonwealth, with a focus on improving the lives of middle and low income people and communities of color. I am testifying to urge you to use federal funds to follow the lead of five other states to fill an important hole in our Earned Income Tax Credit (EITC) that is particularly important as we seek to recover from the pandemic.

Immigrants in Massachusetts have shouldered an outsized risk as frontline workers during the pandemic. Yet thousands of immigrants and their families who work and file income taxes are prevented from receiving important support through the Earned Income Tax Credit (EITC) because they are ineligible for a Social Security Number.

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 Income Tax Identification Number (ITIN) so they can comply with tax laws.¹ Immigrants paying taxes with an ITIN are taxed the same as any other taxpayer. Paying taxes with an ITIN also helps immigrants document their physical presence and work history and can help with opening a bank account or obtaining a mortgage.²

There are over 200,000 immigrants in Massachusetts 16 years of age or older whose immigration status prevents them from obtaining a Social Security Number and are therefore unable to access important tax benefits available to most workers. About 1 in 25 workers in Massachusetts is an immigrant without status. These workers provide the backbone for many industries essential to our economy, as immigrants without legal status are concentrated in such essential industries as food services, health care, and construction. Many undocumented immigrants face racism and discrimination in the U.S. because the large majority come from Latin America, Asia, the Caribbean, or Africa. Two-thirds have been in the U.S. for at least five years, and a disproportionate number are frontline essential workers.³

Why is the EITC so important and how are some immigrant residents excluded?

The Earned Income Tax Credit ([EITC](#)) is a key program for reducing poverty in the United States. Together with the federal Child Tax Credit, these low-income federal credits lifted 7.5 million households above the poverty line in 2019, more than any other program except Social Security.⁴ In Massachusetts, the EITC provides support to more than 375,000 households filing income taxes across virtually [every city and town](#).

Because the EITC is *refundable*, those who owe little or no income tax receive a check for any remaining amount of their credit. The amount of the credit ramps up for very low income tax filers as they earn more and then ramps down, as a taxpayer's income grows, at different rates for different family sizes, phasing out completely at about \$57,000 for the largest family types. Families often report they use the credit to pay off debt, make deferred repairs to their home or vehicle, or simply to supplement their regular earnings and meet basic needs.

Massachusetts provides its own state EITC, helping families to make ends meet by matching 30 percent of the federal credit. The average state credit in 2019 was \$637. 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.

A large body of research has shown that, in addition to income support, families who receive the EITC have better health and educational outcomes than people in similar circumstances who did not receive the EITC.⁵ For instance, children in families that receive the EITC tend to be born with healthier birthweights and are more likely to graduate high school and attend college.

Direct income supports like the EITC have become more important in the face of COVID-19. Many families' incomes have been interrupted, especially in Black and Latinx households who have suffered the most job loss and also been hit hard by infections. Along with low-income tax credits, enhanced unemployment benefits and federal stimulus checks have been crucial lifelines that have helped families get by.⁶

Many low-income immigrants are excluded from the EITC

Without a Social Security Number, approximately 18,500 otherwise-eligible Massachusetts households lose out on all the benefits of the EITC.⁷ U.S. citizen children and spouses who live in mixed-status households with immigrants that are ineligible for a Social Security Number are also excluded from the EITC.

Over a quarter of undocumented immigrants in Massachusetts live with at least one child who is a U.S. citizen.⁸ If even one member of a family lists an ITIN rather than a Social Security Number, the whole family is ineligible for the EITC. They are excluded even if an immigrant has been working in Massachusetts for many years, contributing to the economy, and paying income taxes with an ITIN.

Massachusetts EITC should follow other states in fixing these EITC exclusions

Because typically not all eligible households actually apply for the EITC, if the Commonwealth extended the EITC to ITIN filers, an estimated **13,200 households** would benefit from the credit. For the Massachusetts state budget, the cost of extending the credit would be about **\$9.3 million** per tax year.⁹

States are not required to limit their own state EITC only to taxpayers with Social Security Numbers. California, Colorado, Maryland, and New Mexico recently enacted laws to extend their state EITC to tax filers who use an ITIN, thereby including all resident taxpayers regardless of immigration status. Washington State created a new credit that mirrors the EITC and extends to ITIN filers.

These policies are part of an immigrant-inclusive [trend](#) among states and cities that recognize how recovery from the pandemic must extend to all residents, regardless of their immigration status. Most recently, [New York State created a \\$2.1 billion fund](#) to provide undocumented families with more or less the value of the stimulus checks and unemployment benefit they were excluded from at the federal level. New Mexico similarly created a program to send \$465 stimulus checks to those who had been excluded from the federal checks, including immigrants without status. Meanwhile, [Oregon](#), [Washington](#) State, and [California](#) established relief funds for ITIN filers and other undocumented immigrants.

Massachusetts has not created similar funds to address federal-level exclusions of immigrants, but there is precedent for providing state EITC credits to tax filers who should not have been excluded from the federal EITC. The Commonwealth created a special program for domestic abuse survivors who may be excluded from the federal EITC because they do not file taxes jointly with an abusive partner they are still married to. The Commonwealth provides its state EITC to those excluded from the federal credit.

Policymakers in Massachusetts should follow other states in extending our state EITC to tax filers who use an ITIN. This is an appropriate presumptively eligible use of ARPA funds because it is targeted to a population that has been disproportionately impacted by COVID-19, both from infections and the economic impacts. Allowing for some growth in the program over time, approximately \$50 million in federal funds could extend the EITC to ITIN filers for tax years 2021 through 2025, paid in the filing season the subsequent year and thus running through 2026 when ARPA funds must be spent. Based on the experience of this program extension, the legislature could then choose to either discontinue the program or make it an ongoing feature of our EITC. In either case, it would be a significant step toward ensuring an equitable post-pandemic recovery.

Sincerely,
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Endnotes

¹ According to the National Immigration Law Center ([NILC](#)), “Taxpayers who file their tax return with an ITIN include undocumented immigrants and their dependents as well as some people who are lawfully present in the U.S., such as certain survivors of domestic violence, Cuban and Haitian entrants, student visa–holders, and certain spouses and children of individuals with employment visas.”

² NILC 2017 FAQ on ITINs: <https://www.nilc.org/issues/taxes/itinfaq/>

³ On disproportionate exposure as frontline workers, see MassBudget’s, “[Tens of thousands of undocumented, essential workers at risk of lost jobs, lost pay, exposure to COVID-19](#)” (June 2020).

⁴ More than half of these individuals are children. See U.S. Census, Current Population Reports, “The Supplemental Poverty Measure: 2019” (Sept. 2020), Appendix Table 7 at <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-272.pdf>.

⁵ MassBudget, “[A Credit to Health: The Health Effects of the Earned Income Tax Credit](#)” (2018).

⁶ Center on Poverty and Social Policy, “[Stimulus checks, unemployment benefits, and SNAP kept 13 million out of poverty in January](#)” (March 2021) at <https://www.povertycenter.columbia.edu/news-internal/2021/forecasting-monthly-poverty-jan>

⁷ Counts based on Institute on Taxation and Economic Policy analysis of unadjusted 2015 IRS data, with amounts expressed in 2020 dollars. See <https://communitychange.org/resource/itin-eitc-fact-sheet/>.

⁸ “Profile of the Unauthorized Population: Massachusetts,” Migration Policy Institute, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/MA>

⁹ Institute on Taxation and Economic Policy at <https://communitychange.org/resource/itin-eitc-fact-sheet/>