



To the Joint Committee on Revenue

December 13, 2021

RE: Testimony in support of *An Act to increase family stabilization through the earned income tax credit* (H.2871/S.1841) and *An act providing a minimum income to all Massachusetts families* (S.1852).

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

Thank you for the opportunity to submit testimony on behalf of the Massachusetts Budget and Policy Center (“MassBudget”), in support of H.2871/S.1841: *An Act to increase family stabilization through the earned income tax credit*.

The Massachusetts Budget and Policy Center, or “MassBudget,” is a public policy think tank researching and advocating for racial and economic justice in the Commonwealth. Whereas Massachusetts was once a leading state in providing a strong state match to the federal EITC in recent years several other states have extended eligibility and increased the amount of credit beyond ours.

The pandemic has exposed how working families often struggle to make ends meet. Improvements to the EITC would directly support the nearly 400,000 households that currently receive the EITC, as well as extend the credit to many other low-income families and individuals that file taxes and struggle to make ends meet but are currently excluded from the credit.

An Act to increase family stabilization through the earned income tax credit, filed by Representative Decker, Representative Vargas, and Senator DiDomenico, will promote economic mobility and help struggling families in the Commonwealth by expanding the state’s Earned Income Tax Credit (EITC) by delivering larger cash benefits and making it available to more families. In particular, H.2871/S.1841/S.1852 will:

1. **Increase the Massachusetts EITC from 30 percent to 50 percent of the value of federal EITC:** This increase will help households filing income taxes in virtually every city and town with additional income to support financial stability and recovery. It will also help local businesses as residents spend this income in their communities. An interactive map of recipients by town can be found at [this KidsCount Data Center link](#).
2. **Establish a minimum \$2,400 credit for households earning up to \$50,000 and those with no taxable income at all:** Establishing a base credit will greatly improve the EITC's ability to eliminate the most extreme forms of poverty by supporting families with the lowest incomes.
3. **Extend the credit to families earning up to \$75,000 who are currently ineligible:** By lengthening the income phase-out and extending the credit to middle-income families, the EITC will reach more families struggling to make ends meet in our high-cost state.
4. **Expand eligibility to previously excluded groups:** This includes roughly 13,200 taxpayers who file taxes with an Individual Tax Identification Number (ITIN); unpaid caregivers for children under the age of 6, dependents who are permanently and totally disabled, or qualifying relatives over the age of 69. It also includes taxpayers who are low-income college students, or adults under 25 or over 64 without children.
5. **Improve access to the EITC through more frequent payment options and increased communications and outreach:** Payment options would enable households to afford expenses throughout the year. A widely disseminated outreach and communications campaign on the availability of VITA sites would ensure that more low-income households receive the credit and protect them from for-profit tax preparers' often exorbitant fees to claim the EITC.

Research has consistently shown that the EITC improves a range of outcomes. In addition to reducing poverty, receiving the EITC is associated with improved health

and educational attainment. The multiple benefits of the EITC are evident in research conducted at the University of Massachusetts ([Wicks-Lim and Arno, 2017](#)) showing some health benefits of the EITC across entire neighborhoods in places with a high concentration of households receiving the credit. By increasing economic activity in these neighborhoods, the research finds a higher EITC rate was associated with fewer babies born with low birthweight even for residents who do not receive the credit. Researchers believe these neighborhood-wide benefits where many parents receive the EITC may be the result of reduced stress, less crime, and other benefits that spill over across the neighborhood when many low-income working families are better able to make ends meet.

Several other states have improved their EITC as a response to the economic fallout of COVID-19 and the disproportionate impact of the pandemic on low-income families and Black, Latinx, and immigrant communities. For example, California, Colorado, Maryland, New Mexico, Oregon, and Washington recently passed legislation making ITIN filers eligible for the state EITC.

The EITC is a highly success at increasing economic opportunity. By increasing the Massachusetts EITC's availability, size, and participation through the five reforms summarized above, these identical bills will increase opportunity for Massachusetts families who need it most in the wake of the pandemic. We urge the Committee to favorably pass this bill out of Committee.

Sincerely,

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