

Ending the Tax Penalty Against Working Immigrants: Extending EITC to Immigrant Tax Filers Would Help Families and the Economy

By Phineas Baxandall

Immigrants are a large and vital part of Massachusetts' workforce. Over a quarter of Massachusetts workers were born in another country.¹ Due in part to the aging of our native-born population, almost half of employment growth since 2010 has been foreign-born.² Immigrants are more likely than native-born residents to be employed and they have become increasingly important to the economy as the shortage of workers has become a leading constraint on Massachusetts' economic growth.³

In recent years, lawmakers have enacted some important legislation helping Massachusetts residents, regardless of their immigration status, to take full part in commerce and civic life. Laws providing access to drivers' licenses and in-state tuition, for instance, have opened opportunities that support employment and advance economic growth. Yet tens of thousands of workers, and their families, who pay taxes in Massachusetts are prevented from receiving the Earned Income Tax Credit (EITC) because they are ineligible for a Social Security Number. Extending eligibility to all workers filing taxes, regardless of their immigration status, would increase the impact of Massachusetts' EITC, help expand economic opportunity, and support low- and moderate-income families struggling to afford Massachusetts' high cost of living.

Who are ITIN filers?

The law requires all wage earners to pay taxes, regardless of immigration status. Although it is often a prolonged process with many steps and hurdles, the Internal Revenue Service provides

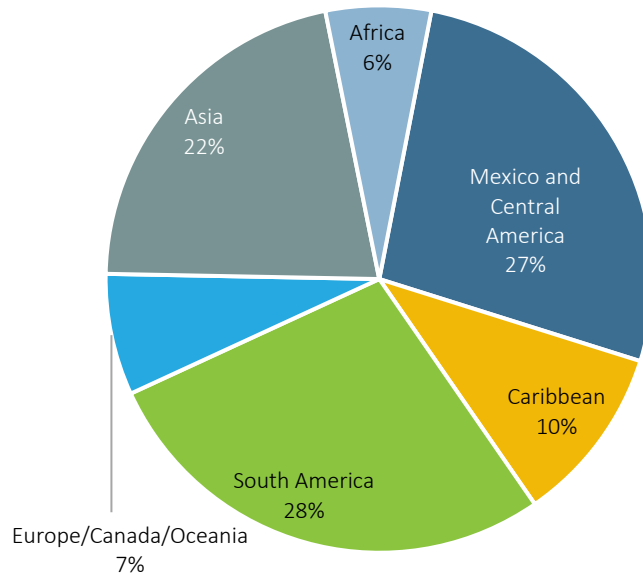
Key Takeaways

- In Massachusetts immigrant or mixed-status families who work and pay taxes are currently prevented from receiving the Earned Income Tax Credit (EITC) if any family member in the household is ineligible for a Social Security Number.
- Ten other states already extend their EITC to immigrant taxpayers without Social Security Numbers who file taxes with an Income Tax Identification Number (ITIN).
- Massachusetts could do the same to help working families to afford the high cost of living in Massachusetts. Depending on the tax filing rate among eligible undocumented tax filers, about 21,000 to 26,000 households would benefit, representing **between 61,000 and 76,000 individuals**.
- The cost of extending the EITC to eligible immigrants would fall between approximately **\$22.6 million to \$28 million**.

an Income Tax Identification Number (ITIN) to taxpayers and their dependents who are ineligible for a Social Security Number so they can comply with tax laws.⁴ Immigrants paying taxes with an ITIN are taxed the same as any other taxpayer. In addition to helping to comply with tax laws, an ITIN helps to document someone’s physical presence and work history and can help with opening a bank account or obtaining a mortgage.⁵

According to Pew Research Center estimates, there were 220,000 undocumented workers in Massachusetts in 2021, an immigration status that would prevent these workers from obtaining Social Security Numbers.⁶ According to their estimates, about 5.5 percent of the Massachusetts workforce are immigrants who are undocumented, almost 1 in 18 workers. These workers provide the backbone for many industries essential to our economy, such as health care and construction. With the large majority coming from Latin America, Asia, the Caribbean, and Africa, many undocumented immigrants face racism and discrimination⁷ Two-thirds have been in the U.S. for more than five years.⁸

Regions of Birth for Undocumented Immigrants in MA



Source: Migration Policy Institute

Why is the EITC so important and how many workers are excluded?

The Earned Income Tax Credit (EITC) is a key federal and state program for reducing poverty and supporting employment in the United States. In Massachusetts, the EITC provides support to about 340,000 households filing income taxes across virtually every city and town [\(map\)](#).

Because the EITC is *refundable*, those who owe little or no income tax receive a refund 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 \$63,398 for the largest family types in tax year 2023. Families often report they use the credit to pay off debt, make 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 40 percent of the federal credit. The maximum credit from the Commonwealth for tax year 2023

ranges from \$240 for a single filer to \$2,972 for a married tax couple with three or more qualifying children.

A large body of research has shown that families who receive the EITC have better health and educational outcomes than people in similar circumstances who did not receive the EITC.⁹ 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.

Many low-income immigrants are excluded from the EITC

Without a Social Security Number, approximately **21,000 to 26,000 Massachusetts households** otherwise eligible for the EITC lose out on all the benefits.¹⁰ These households contain an estimated **61,000 to 76,000 individuals** who would benefit from the credit.

Over a quarter of undocumented immigrants in Massachusetts live with at least one child who is a U.S. citizen.¹¹ 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 regardless of how long they have been working in Massachusetts, contributing to the economy, and paying income taxes with an ITIN. About two thirds of households expected to benefit from extending the EITC to ITIN filers are mixed status, between 14,200 and 17,300 households.

For the Massachusetts state budget, the cost of extending the credit would be about **\$22.6 million to \$28 million**, based on lower utilization rates for families with undocumented members.¹²

Massachusetts EITC should follow other states in fixing these EITC exclusions

States are not required to limit their own state EITC only to taxpayers with Social Security Numbers. In fact, California, Colorado, Illinois, Maryland, Maine, Minnesota, New Mexico, Oregon, Vermont, and Washington D.C. have enacted laws to extend their state EITC to tax filers who use an ITIN, thereby including all resident taxpayers regardless of immigration status.¹³ In addition, Washington State created a credit that mirrors the EITC and extends to ITIN filers.

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 survivors excluded from the federal credit.

Policymakers in Massachusetts should follow other states in extending our state EITC to tax filers who use an ITIN. Doing so would be an important step toward ensuring a more equitable and prosperous economy.

Endnotes

- ¹ Census ACS 2021 data on civilian labor force 16 years and older as analyzed by the Migration Policy Center, “[State Immigration Data Profiles: Massachusetts](#)”
- ² Whereas in 2010, only 25.3 percent of the native-born population was 55 years or older, that number grew to 30.9 percent in 2022. Fully 48.4 percent of civilian employment growth in Massachusetts between 2010 and 2022 was foreign-born workers. U.S. Census, American Community Survey five-year estimates, Selected Characteristics of the Native and Foreign-Born Populations ([2010](#) and [2022](#)).
- ³ On native- and foreign-born employment rates, see U.S. Census, American Community Survey five-year estimates, [Selected Characteristics of the Native and Foreign-Born Populations](#) (2022).
- ⁴ 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.” ITINs are nine digits, just like a Social Security Number, and begin with the number 9, thus taking the form: 9XX-XX-XXXX.
- ⁵ National Immigration Law Center, 2017 FAQ on ITINs: <https://www.nilc.org/issues/taxes/itinfaq/>
- ⁶ Pew Center for Research “[Unauthorized immigrants in the labor force for states, 2021](#)” data supplement to “What We Know About Unauthorized Immigrants Living in the United States” (Nov. 2023).
- ⁷ Migration Policy Institute “Profile of the Unauthorized Population: Massachusetts” (based on estimates from 2019) at <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/MA>
- ⁸ Pew Research, https://www.pewresearch.org/wp-content/uploads/2023/11/SR_23.11.16_unauthorized-immigrants-table-3.xlsx, data supplement to “What We Know About Unauthorized Immigrants Living in the United States” (Nov. 2023).
- ⁹ MassBudget, “[A Credit to Health: The Health Effects of the Earned Income Tax Credit](#)” (2018).
- ¹⁰ Estimates calculated by the Institute on Taxation and Economic Policy analysis for MassBudget. The lower range represents 50 percent of eligible undocumented households filing, while the higher number represents 60 percent filing.
- ¹¹ “Profile of the Unauthorized Population: Massachusetts,” Migration Policy Institute, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/MA>
- ¹² Whereas the typical EITC utilization rate is about 80 percent, for families with undocumented members this model assumes a 50 to 60 percent utilization rate.
- ¹³ National Immigration Law Center, “Map of States the Offer State Earned Income Tax Credits (EITC) to ITIN Filers” (data current as of July 2023) at <https://www.nilc.org/issues/taxes/tax-credit-itin-filers/>