



**Testimony**  
**Joint Committee on Revenue**  
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**December 14, 2021**

***Supporting An Act to increase family stabilization through the earned income tax credit  
(H.2871/S.1841)***

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 Association of Community Development Corporations (MACDC) in strong support of H.2871/S.1841: *An Act to increase family stabilization through the earned income tax credit*.

MACDC is an association of mission-driven community-based organizations dedicated to working together and with others to create opportunities for people of diverse incomes and backgrounds to access housing that is affordable, benefit from economic opportunities, and fully participate in the civic life of their communities.

As an organization committed to economic development in low- and moderate-income communities, we recognize the EITC as a crucial tool for the communities served by our members. EITC and CTC greatly reduce poverty for working families. These working-family tax credits lifted 9.4 million people out of poverty in 2013, including 5 million children, and made 22 million other people less poor. And by encouraging work, the EITC and CTC have an additional anti-poverty effect not counted in these figures.

We saw the myriad of ways in which COVID-19 exacerbated struggles in communities around Massachusetts as evidenced by our members' swift shift toward addressing immediate needs in their communities, such as high rates of food insecurity, unemployment, and inability to afford rent. Changes to the EITC would directly support families still struggling to make ends meet.

**Bold expansions to the EITC will alleviate financial hardship and help families get ahead:**

*An Act to increase family stabilization through the earned income tax credit*, filed by Representative Decker, Representative Vargas, and Senator DiDomenico, will alleviate hardship and promote economic mobility in the Commonwealth by expanding the state's Earned Income Tax Credit (EITC) so that it delivers larger cash benefits and is available to more families. H.2871/S.1841 will:

- **Increase the Massachusetts EITC from 30% to 50% of the value of federal EITC:** An increase to the state EITC would provide more than 375,000 households filing income taxes across virtually every city and town with additional income to support financial stability and recovery.<sup>i</sup>
- **Establish a minimum \$2,400 credit for low to moderate income households earning up to \$50,000 and those with no taxable income at all:** Establishing a base credit would drastically improve the EITC's ability to eliminate the most extreme forms of poverty in Massachusetts and support families with the lowest incomes. Furthermore, putting money back into the pockets of individuals enables increased spending in local economies.

- **Extend the credit to middle-income families who are currently ineligible by expanding the phase-out rate to those earning up to \$75,000:** Extending the credit to middle-income families will enable more families to make ends meet.
- **Expand eligibility to previously excluded groups of people, including taxpayers who file with an Individual Tax Identification Number (ITIN), unpaid caregivers, low-income college students, and younger (<25 years old) and older (65+) adults without children:** Expanding state EITC eligibility would allow certain immigrants and other excluded populations to claim the credit, which would help families afford basic needs. This expansion would also recognize and support caregiving as essential work for children under the age of 6, dependents who are permanently and totally disabled, or qualifying relatives over the age of 69.
- **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.

#### **H.2871/S.1841 aligns with recent bipartisan and bicameral recommendations:**

The five reforms to the EITC included in H.2871 are grounded in research and, notably, aligned with the Senate Committee on Reimagining Massachusetts Post-Pandemic Resiliency's recommendations outlined in their recent report, SD.2782. Specifically, this bipartisan report recommends pilot programs for income support and states that "Ensuring that all families have a consistent flow of income — and the flexibility to use it for essentials like food or rent, or emergency needs as they arise — would dramatically reduce the pains of poverty and bring outsized benefits for communities of color...targeting support to low-income families (through a more generous EITC or a refundable credit for caregivers) would maximize the impact and minimize the cost."<sup>ii</sup>

In addition to the Senate Committee's report and recommendation, the bipartisan and bicameral Health Equity Task Force reports in SD.2731 that an expansion of the EITC to workers who pay taxes using ITINs this expansion is necessary to advance equity and move the Commonwealth towards and equitable economic recovery.<sup>iii</sup> Specifically, the report states that "Legislation is needed so that all families who pay state taxes are eligible for the state EITC."<sup>4</sup> Extending the EITC to immigrant workers who file using an ITIN and are currently excluded from the credit would benefit an estimated 13,200 households.<sup>iv</sup> This is critically important, as immigrant workers — despite paying taxes — have been left out of federal relief throughout the pandemic, and have limited access to public benefits. Additional reforms included in H.2871/1841 would address other immediate and intermediate needs identified in the Health Equity Task Force's report, specifically to 1) increase food access and security, 2) provide and increase emergency basic income, 3) assist landlords, homeowners, and tenants to prevent evictions and foreclosure, 4) create access and inclusion for immigrants, and 5) build "Communities of Opportunity".<sup>4</sup>

#### **Improvements to state EITCs are cost-effective and sustainable:**

While it is well-established that the EITC improves a range of positive outcomes among recipient — from poverty reduction, health improvement, educational attainment, and even reduced mortality — the EITC is also a remarkably cost-effective public policy. Research published in 2021 found that the EITC increases labor supply and income, thereby increasing the taxes households pay and reducing the

government transfer payments they receive. Researchers found that the federal EITC's net cost is only 17 percent of the (\$70 billion) budgetary cost over a one-year period.<sup>v</sup>

**Other states have expanded the EITC and invested in direct cash payments for families:**

In response to the economic fallout of COVID-19 and the disproportionate impact on BIPOC and immigrant families as well as families with low incomes, other states have used EITC as a vehicle to provide financial stability with the added benefit of improving population health and long term economic outcomes. For example, Maryland temporarily increased its state EITC from 28 percent to 45 percent for tax years 2020 through 2022, in response to the pandemic's economic impact.<sup>vi</sup> In addition, California, Colorado, Maryland, New Mexico, Oregon, and Washington passed legislation making ITIN filers eligible for the state EITC, and many states – including Oregon, Washington, California, and New York – have established additional relief funds for ITIN filers and other immigrants who were excluded from federal relief. State municipalities are also increasingly investing in Guaranteed Minimum Income pilot programs, including those in Massachusetts. Data from these programs, including initial findings from Massachusetts pilots referenced earlier, demonstrate that direct cash payments reduce hardship and poverty, address racial inequities, improve health, and stimulate local economies.<sup>vii</sup>

The state has an opportunity to increase the Massachusetts EITC's availability, size, and participation through the five reforms included in H.2871. These expansions will help to financially stabilize and reduce health disparities among children and families in Massachusetts – and especially among BIPOC and immigrant families. This approach has been recommended in two 2021 bipartisan reports from the legislature, is fiscally sustainable, will reduce poverty, and support the well-being of marginalized communities. We urge the Committee to favorably pass this bill out of Committee.

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<sup>i</sup> Kids Count Data Center. State Earned Income Tax Credit (EITC) claims by city and town ("County Subdivision") in Massachusetts. 2018. Available at <https://datacenter.kidscount.org/data/map/8526-state-earned-income-tax-credit-eitc-claims-by-city-and-town-county-subdivision?loc=23&loct=11#11/any/true/true/37/any/19077/Orange/>

<sup>ii</sup> Report of the Committee on Reimagining Massachusetts Post-Pandemic Resiliency. SD.2782: Reimagining the Future of Massachusetts. 2021.

<sup>iii</sup> Health Equity Task Force Final Report – A Blueprint for Health Equity. 192<sup>nd</sup> General Court of the Commonwealth of Massachusetts. 2021. Available at <https://malegislature.gov/Commissions/Detail/512/Documents>

<sup>iv</sup> Baxandall P. Ending the tax penalty again working immigrants: MA should follow other states extending EITC to immigrant tax filers. Massachusetts Budget & Policy Center. 2021. Available at <https://massbudget.org/wp-content/uploads/2021/05/ITIN-EITC-May-2021.pdf>

<sup>v</sup> Bastian JE, Jones MR. Do EITC expansions pay for themselves? Effects on tax revenue and government transfers. *Journal of Public Economics*. 2021;196:104355.

<sup>vi</sup> Maryland expands its EITC. Tax Credits for Workers and Families. 2021. Available at <https://www.taxcreditsforworkersandfamilies.org/tcwf-news/maryland-expands-its-eitc/>

<sup>vii</sup> Shapiro T, Meschede T, Pugh J, Morgan J, Stewart S. Accelerating equity and justice: Basic income and generational wealth. 2020. Available at <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/accelerating-equity-and-justice.pdf>