

February 4, 2021

To: Members of the Washington State Senate Human Services, Reentry, and Rehabilitation Committee
From: Washington State Budget & Policy Center
Re: Testimony in Support of SB 5387

Dear Chair Darneille and members of the Committee,

The Washington State Budget & Policy Center – a research organization working to build a just and prosperous future for all Washingtonians – submits this written testimony in support of SB 5387, the Working Families Tax Credit.

The federal EITC and state expansions like the Working Families Tax Credit can improve health in three critical areas:

- **Maternal health:** People who receive the credit while pregnant have healthier pregnancies, including fewer instances of babies with low birth weights. These positive effects are stronger for Black mothers, who face the greatest disparities due to historical and present-day racism (1).
- **Child health:** Children in families that receive the credit have fewer behavioral health problems (2), they do better in school (3), and have higher earnings over their lifetime (4). Researchers from the Harborview Injury Prevention and Research Center found larger state EITCs were also associated with families better being able to care for their children (5). We estimate that SB 5387 would reach **one in four** Washington kids (6), including children in mixed status families who are wrongly denied this critical support federally just because someone in the family doesn't have social security number.
- **Mental health:** The Working Families Tax Credit could also be a tool to address mental health. State EITC expansions like SB 5387 have been linked to improved mental health (7) and even reduced suicidal behavior (8).

This proposal would also offer targeted and equitable support for almost 420,000 households struggling to make ends meet, including around 33,000 households that file taxes using an Individual Tax Identification Number (ITIN). It would start to address deep inequities in the state's upside-down tax code, speed up the state's economic recovery by stimulating local economies (9), and fill gaps in existing support systems that were not meeting the needs of our communities long before the pandemic.

Of note, SB 5387 makes key improvements upon existing statute:

First, SB 5387 includes Individual Tax Identification Number (ITIN) taxpayers who are excluded from receiving the federal Earned Income Tax Credits despite electing to file taxes. ITIN filers are an important group of taxpayers, including some student visa holders, survivors of domestic violence, and undocumented immigrants.

Second, this bill updates and streamlines the payment structure to make the policy more equitable for filers with the lowest incomes, who would be eligible for the largest credit possible for their filing status and family size.

Thank you for your time and thoughtful consideration in support of SB 5387.

Submitted on behalf of the Washington State Budget & Policy Center.

Sources:

1. Komro KA, Markowitz S, Livingston MD, Wagenaar AC. Effects of State-Level Earned Income Tax Credit Laws on Birth Outcomes by Race and Ethnicity. *Health Equity*. 2019 Mar 12;3(1):61-67; and Wagenaar AC, Livingston MD, Markowitz S, Komro KA. Effects of changes in earned income tax credit: Time-series analyses of Washington DC. *SSM Popul Health*. 2019 Jan 16;7:100356.
2. Hamad R & Rehkopf DH. Poverty and Child Development: A Longitudinal Study of the Impact of the Earned Income Tax Credit, *American Journal of Epidemiology*. 2016 May 183(9.1): 775-784.
3. Dahl GB & Lochner L. "The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit." *American Economic Review*. 2012. 102(5):1927-56.
4. Chetty R, Friedman JN, Rockoff J. New evidence on the long-term impacts of tax credits. IRS publication, Nov 2011.
5. Kovski NL, Hill HD, Mooney SJ, Rivara FP, Morgan ER, Rowhani-Rahbar A. Association of State-Level Earned Income Tax Credits With Rates of Reported Child Maltreatment, 2004–2017. *Child Maltreatment*. Jan 2021.
6. Per analysis from the Institute on Taxation and Economic Policy (ITEP), provided Nov 2020.
7. Morgan ER, Hill HD, Mooney SJ, Rivara FP, Rowhani-Rahbar A. State earned income tax credits and general health indicators: A quasi-experimental national study 1993-2016. *Health Serv Res*. 2020 Oct;55 Suppl 2(Suppl 2):863-872.
8. Morgan ER, DeCou CR, Hill HD, Mooney SJ, Rivara FP, Rowhani-Rahbar A. State earned income tax credits and suicidal behavior: A repeated cross-sectional study. *Prev Med*. 2021 Jan 1.
9. Avalos A & Alley S. The economic impact of the Earned Income Tax Credit (EITC) in California. *California Journal of Politics and Policy*. 2010;2(1); and Baker SR, Farrokhnia RA, Meyer S, Pagel M, & Yannelis C. Income, Liquidity, and the Consumption Response to the 2020 Economic Stimulus Payments, National Bureau of Economic Research Working Paper No. 27097, May 2020.

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