

Working Families: Solutions for Paying the Bills



Children who live in stable homes have better health and development outcomes

compared to similar children whose families have experienced to being behind on rent, frequent moves, and homelessness.² There is substantial research articulating the vital role stable homes play in the health and well-being of children, and the impacts are seen both in early childhood and throughout the life-course into adulthood.³⁻⁹

While full-time employment that offers a living wage is the best route for most families to become financially stable, research shows that for many workers, current wages are not enough for them to afford rent and still have enough money to pay for other basic necessities. Renters working in low and moderate wage jobs are at increasingly high risk of spending more than 30 percent of their income on housing costs, which is defined as being “housing cost burdened”.¹⁰ Nationally, 77 percent of renters with household incomes between \$15,000 and \$29,999 experience cost burden.¹⁰ In high-rent market areas, such as Boston, rates of housing cost burden are even higher.¹¹ Conversely, families are able to afford a stable home when they spend less than 30 percent of their total household income on rent and utilities.

The Earned Income Tax Credit (EITC) is widely known as one of the most effective anti-poverty programs for families and is designed to reduce the gap between living expenses and wages for low and moderate income working families.¹² The EITC, although not specifically designed to improve child health outcomes, has also proven to have positive impacts on children's health nationwide.¹³ On the national level, EITC was first enacted in

1975, with Massachusetts implementing its own state EITC in 1997 which builds off the federal credit and provides families with additional money through a state match of the federal credit. Acknowledging the important health and economic benefits of the program, both Republican and Democratic leaders in the Commonwealth increased the Massachusetts EITC from 15 percent to 23 percent of the federal credit in 2015. This increase resulted in more than 400,000 low and moderate income working families across the state receiving up to \$500 more in their tax returns. Despite this increase, working families across the state still experience economic hardships, including the inability to afford rent.

How much do families claiming EITC in Massachusetts need to afford a home in their community?

According to the U.S. Department of Housing and Urban Development, fair market rent (FMR) for a two-bedroom home varies greatly across the state.¹⁴ For example, a family living in western Worcester County can expect to pay \$823 per month for a two-bedroom home compared to a family in Boston, Cambridge or Quincy where the fair market rent is \$1,691 for the same sized apartment or house. Today's rent prices strain family budgets, especially in high-rent market areas in Massachusetts.

This new Children's HealthWatch research provides economic simulation models for a family composed of a married couple and two children eligible to receive both federal and state EITC and living in a two-bedroom apartment or



Through the *What If* Project, Children's HealthWatch is modeling policy improvements that address our vision of a future where all children's basic needs are met, sustaining their health and enabling them to reach their full potential. Our previous research details the positive health impacts of expanding the Earned Income Tax Credit (EITC).¹

In this brief, we ask:
“What if we raised the Massachusetts EITC to 50 percent of the federal credit?”

house in different towns and cities across Massachusetts. The following table simulates a 50 percent increase in the EITC state match, demonstrating that it would close the gap in many Massachusetts cities.

What If? We raised the MA EITC to 50%?

EITC helps families pay for living expenses and afford a stable home in many cities.

City	Average EITC Recipient Work Income	30% Annual Average EITC Recipient Work Income	Fair Market Rent for 2-bedroom (per year)	Percent of Income Used on Rent	Gap Between 30% of Income and Rent	Average Federal + State EITC	Remaining Gap Between 30% of Income and Rent After EITC is Received
Boston	\$36,935	\$11,080	\$20,292	55%	\$9,212	\$3,290	\$5,922
Fall River	\$34,986	\$10,496	\$11,928	34%	\$1,432	\$3,430	\$0
Lawrence	\$33,121	\$9,936	\$15,660	47%	\$5,724	\$4,011	\$1,713
Springfield	\$32,091	\$9,627	\$12,684	40%	\$3,057	\$3,896	\$0
Worcester	\$34,888	\$10,466	\$12,720	36%	\$2,254	\$3,542	\$0

* \$0 reflects cities that will have closed the rent gap on average.

How does EITC help families afford homes in their MA communities?

With the support of the **federal EITC alone**, families in **67 cities (39%)** are able to afford a stable home.

39%

The **federal plus state EITC of 23 percent** enables families in **71 cities (41%)** to afford a stable home.

41%

What If MA increased the match to 50% of the Federal EITC? Families in **83 cities (48%)** would be able to afford a stable home.

48%



\$3,290

Average amount of EITC from the federal and state credit a family of four would receive in Boston if MA increased the state credit to 50% of the federal credit.



\$1,440

Median amount of back-rent owed by tenants facing eviction in Boston.¹⁷



\$2,500

Average household energy cost in MA every year.¹⁹⁻²⁰



\$715.40

Average monthly cost of groceries for a family of four.²¹

Raising the MA EITC to 50% of the Federal Credit will:

- Help families afford more months of rent, catch up on back-rent, and may prevent an eviction.
- Allow families to pay for basic necessities like utilities, healthy food, and medical bills without sacrificing other bills.
- Improve health and education outcomes for children.

There is an urgent need to increase the state EITC. As these data illustrate, hardworking families across the Commonwealth would benefit from increasing the state credit, but there is still more to be done to improve families' ability to afford rent.

Previous research has documented that families use EITC to prevent impending evictions.^{15,16} Increasing the EITC to 50 percent of the federal credit would further the effectiveness of EITC in helping families catch up on rent and potentially

avoid eviction. For example, in Boston, the most expensive rental market in the state, the median amount of rent owed by tenants facing eviction is \$1,440.¹⁷ If the state EITC were 50 percent of the federal credit, the average EITC filer in Boston would receive \$1,096 in the state credit alone, which could help many to avoid a costly eviction.

An increase in the state EITC to 50 percent would also enable a family to afford heating for an entire winter, helping them to provide their children a warm and safe home.^{19 - 20}

Which state policy solutions are necessary to close the gap between working families' earnings and rent?

Innovative policy solutions to address family housing stability in the Commonwealth are within reach. Increasing monetary resources for working families through the Earned Income Tax Credit is a step in the right direction toward reducing rent burden, especially in areas of the state where rents are lower. But, improving housing affordability will require policies that spur affordable housing development while also providing resources for families to meet rent demands. Increases to the state EITC must be made in concert with other efforts to expand access to affordable homes. Children's HealthWatch recommends policies that address both supply and demand to make rent more affordable for working families:

1. Increase the MA Earned Income Tax Credit to 50 percent of the federal amount. Families need more resources to afford homes in Massachusetts. Improving the state's EITC would help families pay for rent and other basic needs necessary for optimal child and family health.
2. Identify innovative policy solutions that incentivize owners and developers to expand the supply of affordable homes, encouraging landlords to rent to those in most need of assistance including:
 - a. Authorizing the Housing Bond Bill for a comprehensive

approach that provides resources to produce and preserve affordable homes to meet the needs of residents across the state.

- b. Investing in the Affordable Housing Trust Fund, which is a flexible funding source for the creation and preservation of affordable homes.
3. Codify into law, increase funding for, and improve the Massachusetts Rental Voucher Program (MRVP). Currently, MRVP is funded through the budget, but establishing the program into policy will enable lawmakers to continue making improvements to the program that are non-budgetary. For example, MRVP rental value is currently calculated based on 2005 fair market rents and has not been updated since. Codifying the program into law will create a mechanism for implementing timely and necessary adjustments.
4. Ensure efforts to build workforce housing, including homes with multiple bedrooms appropriately sized for families with children. Taking steps to reform Massachusetts' planning, zoning, and permitting laws is necessary for families to afford homes in the communities where they desire to live and work.

Working families should be able to afford rent without straining to pay for basic needs. Children in stable homes benefit both in childhood and throughout their life. Improving access to affordable homes is crucial for optimal child and family health. Increasing the Earned Income Tax Credit to 50 percent of the federal amount and identifying policy solutions that address housing affordability across the state are complementary efforts toward reducing housing cost burden for families. We need multiple avenues for expanding the supply of affordable homes and improving families' ability to meet rent demands.



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