

## Responding to the COVID-19 Crisis by Filling Gaps in Federal Cash Support for Individuals and Families

by Phineas Baxandall

While the coronavirus has distanced people from one another, it has also tied our individual wellbeing more closely together. In order to stay safe during the outbreak, Massachusetts has placed much of our economy on pause, leaving many people without the income they need to get by. The impact can be most acute for those working in restaurants, in retail, those who are self-employed and earning low wages, immigrants, or those taking care of family members.

The federal government has unique capabilities to respond to this crisis because, unlike state and local governments, it can run a deficit to increase spending even while revenues are declining. A major part of Congress' response has been to provide income to large portions of the population. This is crucial so that people whose income has been interrupted by the outbreak and its economic fallout can continue paying bills and buying groceries for themselves and their families. Nobody should face a choice between economic ruin and staying safe.

In recent weeks, Congress enacted billions of dollars in new direct cash assistance to individuals and families.<sup>1</sup> Unfortunately, many people who are most economically vulnerable and tend to be hit hardest by the virus are also largely excluded from this federal cash support.

In order to ensure that people are not left behind and can safely remain at home, the Commonwealth will need to find ways to fill these holes. While any approach has its drawbacks, there is much that state lawmakers can do to ensure all our neighbors have the support they need.



## Fixing Shortcomings in Federal COVID Cash Support

The U.S. Congress has created new programs to directly support household incomes during the crisis. But there are many important shortcomings and exclusions in federal assistance that states are left to address.

### *“Recovery Rebates”*

The most broadly distributed form of new household cash assistance is a one-time payment administered as a payroll tax rebate. The “Recovery Rebate” amounts to \$1,200 per adult (\$2,400 for a married couple), plus \$500 per dependent child age 16 or younger.<sup>2</sup> The amounts are reduced gradually for single filers with incomes over \$75,000 and married couples with incomes above \$150,000 – such that no rebate would be received by a single, childless filer with an income over \$99,000, or a married couple with two kids with an income over \$218,000.<sup>3</sup> It is estimated that Massachusetts households could receive \$5.6 billion in total support from these rebates, with an average value of \$1,730 for those receiving a rebate. That won’t sustain households over a long economic downturn, but it will make a difference.

Many people are excluded from this rebate because it is created to be like an advanced tax refund on the income taxes people will file in 2020. This creates problems for many low-income people who were not required or not allowed to file 2018 or 2019 income taxes.<sup>4</sup> Across the U.S., tens of millions of people don’t have to file a tax return because their income is so low, or because they receive most of their income from Social Security, veterans benefits, or disability benefits – which are untaxed.

Certain families with immigrants are completely denied the rebate if any member of the tax filing family does not have a social security number.<sup>5</sup> Thus, even a family with children who are citizens are denied eligibility if one of the adults has no social security number. This is true even for people earning income with greencards, work visas, or other authorizations, who have been paying income taxes with an Income Tax Identification Number (ITIN).

With no apparent justification, the rebate is also denied to dependents over 16 years of age.<sup>6</sup> Therefore, the \$500 amount is denied for dependents

### **People of Color and Women on the Front Lines**

State cash support may be especially important to provide security to Black, Latinx, and immigrant residents both during and after this pandemic subsides. Due to a long legacy of systematic discrimination and structural racism and sexism, people of color and women in Massachusetts tend to have less access to quality affordable health care, less wealth to fall back on, are less able to forego work or otherwise stay home, and more likely to work in a “frontline” industry that pays low incomes.

Recent analysis of Census data by the Center for Economic and Policy Research shows how Black, Latinx, female, and immigrant workers are overrepresented in “frontline” industries, which include hands-on jobs in grocery, convenience and drug stores, warehouses, health care, child care, and cleaning services. For instance, Black people represent 7.2% of all Massachusetts workers, but nearly double that percentage (14.2%) of our health care workers. Likewise, foreign born workers represent almost 20% of Massachusetts’ workforce, but nearly 60% in building cleaning services. People working in services to clean buildings are also three times as likely as other Massachusetts workers to live below the poverty line or lack health insurance. Similarly, women in Massachusetts make up about 49% of the workforce but make up two-thirds of front line workers.

who may be an older teenager or college student or an adult dependent such as a family member who is elderly or is a person with disabilities.

The Commonwealth could target cash assistance to low- and moderate-income households and their dependents who are left out of the federal rebate. For instance, the federal rebate is denied to people who lack a social security number and have instead been paying taxes using an ITIN. An estimated 57,000 Massachusetts residents live in households with an ITIN filer.<sup>7</sup> The Commonwealth could provide the cash benefits to ITIN filers at the amounts they would have received under the federal rebate. These individuals and families are already in the system at the Massachusetts Department of Revenue (DOR) and may have previously received tax rebates for overpaid payroll taxes. This is only a fraction of the immigrant population in Massachusetts that is excluded from federal benefits and it is the easiest group to reach.<sup>8</sup> Providing the excluded benefit to all these households could cost an estimated \$58 million.<sup>9</sup>

For many low-income residents who are not required to file taxes, it may be a long and difficult path to receive the federal benefit.<sup>10</sup> The federal rebate is based on recent tax filings, and many people who don't normally file a return will need help to file. While the federal authorities will automatically send benefits to Social Security beneficiaries, it is unclear how payments will be made to low-income people with disabilities who receive Supplemental Security Income (SSI), as well as low-income recipients of certain veterans pension and disability benefits.<sup>11</sup> It is also unclear how people who lack an address or IRS-bank account will receive benefits.

One way the state can maximize the amount of federal support for tax filers in Massachusetts is to increase support for the network of 80 Volunteer Income Tax Assistance (VITA) sites across the Commonwealth. Together, these community-based operations with IRS-certified volunteers prepare well over 34,000 households' returns each year.<sup>12</sup> They received a combined \$200,000 in support from the Fiscal Year 2020 state budget and continue to transition to online-type services.

### *Unemployment benefits*

Congress created [three unemployment assistance programs](#) which, like normal unemployment insurance, will be state administered. Together, these improvements provide federal support to make benefits easier to obtain, start sooner, last longer, and amount to \$600 more each week.<sup>13</sup> Many kinds of workers who would not normally be eligible for unemployment insurance but lost work because of the COVID-19 health crises will be eligible for new benefits. This includes self-employed workers, including independent contractors, and freelancers, as well as workers seeking part-time work, and workers whose work history is too short to qualify for normal state unemployment insurance benefits.

Unfortunately, there have been delays in paying these important benefits that will leave workers waiting long times without income replacement.<sup>14</sup> Final federal guidance for administering new types of unemployment assistance are still forthcoming. The Commonwealth decided it must create a new online platform to process the new benefits which has delayed payments by several weeks.<sup>15</sup> The online application has not been available in languages other than English. It will be important to ramp up capacity to process claims, and \$25.8 million in federal funds will be available to enhance staffing and upgrade systems.

Massachusetts can also make use of \$100 million in nationally available federal grants to promote and improve [Short Term Compensation](#). This [program](#), known as "work sharing" is a rarely-used

alternative to layoffs that is now fully federally funded. The policy enables the shared reduction of paid work time within a company – enabling companies to retain workers at reduced hours, while workers remain connected to their jobs with health and retirement benefits. Workers get to collect (reduced) unemployment benefits proportional to their partial work reduction.

A major shortcoming of the unemployment programs is that they do not help the roughly 5% of the active Massachusetts workforce who are not federally-authorized to work because of their immigration status.<sup>16</sup> Workers may be ineligible even if they have been paying unemployment payroll taxes toward future benefits. The benefits are generally available only to workers who have a social security number and can demonstrate that they are both currently authorized to work and were work-authorized when their job was terminated.

## Adapt and Supplement Existing Ways to Deliver Cash Assistance

The Commonwealth can also adapt and supplement existing credits and benefits that can rapidly dispense income to families and individuals struggling through the pandemic. No single program will reach every family and individual in need of support. A combination of approaches can better ensure that no one is left behind during the crisis.

### *Emergency Earned Income Tax Credit (EITC)*

The Earned Income Tax Credit (EITC) is a refundable tax credit, based on annual tax filings that helps lower-income working families make ends meet (see MassBudget’s [EITC fact sheet](#)). It is one of the nation’s most successful anti-poverty programs and has been shown to also improve health and other outcomes<sup>17</sup> One of the easiest ways to identify and deliver funds to low- and moderate-income working families across the Commonwealth is to provide an accelerated bonus emergency “E-EITC” payment in the next months.

The normal EITC has two features that can be changed to deliver the credit quickly without additional tax filing, and to better target it for the needs of the pandemic.

- 1) *Don’t wait for tax filing* – Normally, the 2020 EITC would not get paid until tax filers submit their income taxes in 2021. But the federal Recovery Rebate in the recently enacted CARES Act shows that quick payments can instead be made as an advance on 2020 filing based on the most recent 2018 or (if already-submitted) 2019 year’s filing. The DOR has addresses and/or bank information on file for the roughly 400,000 EITC families scattered across [each city and town](#) in the Commonwealth. It could promptly send money, using that information.<sup>18</sup>
- 2) *Remove work incentives or change to a flat payment* – Normally, the EITC is designed to act as an incentive to encourage people to work more by increasing benefits as their earned income increases, up to a certain point. The benefit then [phases out](#) at higher income levels. Lawmakers could instead choose to pay either a flat E-EITC amount for each family type or just eliminate the income phase-in. While the income phase-out may still make sense as a way to keep funds targeted to those with lower incomes, the work incentive is counterproductive during a pandemic when people are being encouraged to stay home to remain safe. Eliminating the phase-in would ensure that, continuing the state’s 30% federal match, all households would



receive a one-time payment of \$159 for those with no children up to \$1,967 for those with three or more children.

How much would an E-EITC cost the Commonwealth? We know from the Governor's Tax Expenditure Budget that the normal 30% match of the federal credit was anticipated to cost \$283.9 million in 2020. A straight-up repayment of the most recent EITC recipients would cost somewhere around the same level. The amount could be scaled up or down simply by adjusting the current 30% federal match rate. Eliminating the income phase-in and basing the payment for low-income filers on the maximum amount for their family type would increase that total. DOR would be able to provide lawmakers with information about the relative number of recipients below the maximum amount for each family type to calculate the total cost of that adjustment.

One limitation of the EITC is that immigrant families that file taxes with an ITIN instead of a social security number are not eligible.<sup>19</sup> If lawmakers chose to make ITIN filers eligible for the state EITC, these taxpayers could file for it and receive payment on their 2020 income in early 2021. Hopefully, the health threat of the pandemic will be gone by then. Helping low-income working families who were excluded from many other public supports could be important for helping these families and helping the economy to recover. According to estimates modeled by the Institute on Taxation and Economic Policy, an estimated 18,500 ITIN filers would be eligible for EITC. If they all successfully applied, the state budget cost would amount to about \$13.1 million.<sup>20</sup>

### *SNAP, TAFDC and EAEDC*

As families and individuals across the Commonwealth have lost their incomes and access to breakfast and lunch for their children at school, more are looking to the state's food banks and existing federally-supported benefits that provide access to food and limited cash support. An unprecedented number of people are turning to [local food banks](#) and combined weekly applications for the Supplemental Nutrition Assistance Program ([SNAP](#)), the Transitional Aid to Families with Dependent Children program ([TAFDC](#)) and the Emergency Aid to the Elderly, Disabled and Children ([EAEDC](#)) together more than tripled during the three weeks following Governor Baker's March 10th state of emergency declaration.<sup>21</sup>

The federal government has provided some supplementary resources and enabled Massachusetts to extend some benefits and provide greater flexibility.<sup>22</sup> For instance, time limits and work rules for receiving SNAP were temporarily suspended as of April. Increased flexibility was made available for administering SNAP's increased caseload; but not increases to maximum benefit rates.<sup>23</sup> The federal guidelines and state changes remain in flux, but Congress did not increase the block grants providing funding for TAFDC or create an emergency fund to help states expand the program, as they did during the last recession. Unless Congress revisits those decisions, increased benefit amounts would need to be paid for by the state.

Moreover, many immigrants without legal status are not eligible for SNAP or TAFDC (although their family members who are themselves citizens may be.) Even so, because of concerns about family safety, some immigrants in mixed-status families who may in fact be eligible for publicly-funded benefits may be hesitant to apply because of fears about the potential impacts on immigration status.<sup>24</sup>

### **Other Ways to Help Vulnerable Families and Individuals**

The Commonwealth should explore other ways to support income for hard-to-reach families and individuals. For instance, suspending transit fares and low-income student loans would especially benefit low-income households. Likewise, the state could provide grants to local organizations, such as community action agencies, food pantries, other direct service nonprofits, including immigrant-serving organizations, or other community-based organizations and private hardship groups. These groups can have the local knowledge and flexibility to support marginalized groups that may otherwise be hard to reach.

<sup>1</sup> Mostly notably, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. For a review, see Center on Budget and Policy Priorities, “CARES Act Includes Essential Measures to Respond to Public Health and Economic Crises, but More will be Needed,” (March 2020) at <https://www.cbpp.org/research/economy/cares-act-includes-essential-measures-to-respond-to-public-health-economic-crises>

<sup>2</sup> Center on Budget and Policy Priorities, “Next Steps on Stimulus Rebates: Automatic Delivery for People Receiving SSI and Veterans Benefits” (April 2020) at <https://www.cbpp.org/research/economy/cares-act-includes-essential-measures-to-respond-to-public-health-economic-crises>

<sup>3</sup> For those who file income taxes as “head of household,” the payment amount begins to scale down at \$112,500 in income.

<sup>4</sup> According to the Congressional Research Service, “taxpayers with gross income less than the standard deduction amount are not required to file a federal income tax return. In addition, public cash assistance for low-income populations, such as Supplemental Security Income, is generally not considered gross income under a limited general welfare exclusion. Hence, many low-income individuals and families whose income is largely from public assistance may not have filed a 2018 or 2019 income tax return.” See “COVID-19 and Direct Payments to Individuals: Summary of the 2020 Recovery Rebates/Economic Impact Payments in the CARES Act (P.L. 116-136),” updated April 2, 2020, at <https://crsreports.congress.gov/product/pdf/IN/IN11282>

<sup>5</sup> There is an exception for members of armed services, so long as one spouse has a social security number.

<sup>6</sup> Congressional Research Service, “COVID-19 and Direct Payments to Individuals: Summary of the 2020 Recovery Rebates/Economic Impact Payments in the CARES Act (P.L. 116-136),” updated April 2, 2020, at <https://crsreports.congress.gov/product/pdf/IN/IN11282>

<sup>7</sup> Data provided by the Institute on Taxation and Economic Policy (ITEP), March 2020.

<sup>8</sup> Pew Research Center, estimates a quarter million undocumented workers in Massachusetts. See, “Estimates of Unauthorized Immigrants in the Total Population, Labor Force and Foreign-Born Population, by State, 2016” published November 2018 at [https://www.pewresearch.org/hispanic/2018/11/27/unauthorized-immigration-estimate-appendix-c-additional-tables/ph\\_2018-11-27\\_unauthorized-immigration-estimate\\_7-02/](https://www.pewresearch.org/hispanic/2018/11/27/unauthorized-immigration-estimate-appendix-c-additional-tables/ph_2018-11-27_unauthorized-immigration-estimate_7-02/)

<sup>9</sup> Estimates based on ITEP estimates of adults and children under 17 with all eligible beneficiaries and no phase outs for higher income filers.

<sup>10</sup> People whose incomes fell sharply in 2020 after earning too much to qualify in their previous tax filing will also have to wait a long time for their rebate. A provision in the CARES Act provides such tax filers with their rebate only when they file their 2020 taxes in 2021.

<sup>11</sup> Center on Budget and Policy Priorities, “Next Step on Stimulus Rebates: Automatic Delivery for People Receiving SSI and Veterans Benefits,” April 3, 2020, at <https://www.cbpp.org/blog/next-step-on-stimulus-rebates-automatic-delivery-for-people-receiving-ssi-and-veterans-benefits>

<sup>12</sup> Calculation based on federal returns, Internal Revenue Service, Statement of Income, Massachusetts 2017 at <https://www.irs.gov/pub/irs-soi/17in22ma.xlsx>

<sup>13</sup> For a description of the new programs, see National Employment Law Project, “” (March 2020) at <https://www.nelp.org/publication/unemployment-insurance-provisions-coronavirus-aid-relief-economic-security-cares-act/>

<sup>14</sup> See, for instance, *The Boston Globe*, “Gig workers’ path to unemployment insurance unclear” (April 2, 2020) at <https://www.bostonglobe.com/2020/03/26/business/widespread-computer-glitches-foil-residents-filing-unemployment-benefits/>

<sup>15</sup> The Baker administration announced that it would begin adding the \$600 weekly addition to regular Unemployment Insurance; but estimated it would begin processing benefits for normally ineligible applicants about April 30th. Governor’s press release, April 9, 2020 at <https://www.mass.gov/news/massachusetts-announces-initial-implementation-of-new-federal-unemployment-benefits-from-0>

<sup>16</sup> Pew Research Center estimates a quarter million undocumented workers in Massachusetts. See, “Estimates of Unauthorized Immigrants in the Total Population, Labor Force and Foreign-Born Population, by State, 2016” published November 2018 at [https://www.pewresearch.org/hispanic/2018/11/27/authorized-immigration-estimate-appendix-c-additional-tables/ph\\_2018-11-27\\_unauthorized-immigration-estimate\\_7-02/](https://www.pewresearch.org/hispanic/2018/11/27/authorized-immigration-estimate-appendix-c-additional-tables/ph_2018-11-27_unauthorized-immigration-estimate_7-02/)

<sup>17</sup> MassBudget, “A Credit to Health: The Health Effects of the Earned Income Tax Credit” (May 2018) at [https://massbudget.org/report\\_window.php?loc=A-Credit-to-Health.html](https://massbudget.org/report_window.php?loc=A-Credit-to-Health.html)

<sup>18</sup> Could some families with higher income end up receiving the Emergency EITC? Some households that had low enough income to qualify for EITC in their most recent tax filing could end up earning higher enough income in 2020 that they become ineligible for the 2020 EITC advance they would receive. Due to the recession, there may be fewer people whose income will increase this way. As with the federal Recovery Rebate, people could be required in 2021 to pay back their tax credit on their 2020 tax filing if their income increased. One way to minimize this later administrative challenge and complication for taxpayers could be to apply it only to income that increased dramatically, for example, for incomes exceeding \$100,000 in 2020.

<sup>19</sup> IRS, “Do I Qualify for the EITC?” at <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/do-i-qualify-for-earned-income-tax-credit-eitc>

<sup>20</sup> If the same percent of eligible EITC families applied as for filers with social security numbers, then the estimated cost would be \$9.3 million for 13,200 filers.

<sup>21</sup> State House News Service, “Mass. Residents Turning to Public Assistance Programs” April 8, 2020, at <https://www.statehousenews.com/email/a/2020723?key=f1ceac>

<sup>22</sup> State House News Service, “Mass Residents Turning to Public Assistance Programs” (April 8, 2020) at <https://www.statehousenews.com/email/a/2020723?key=f1ceac>. See also Center on Budget and Policy Priorities, “USDA, States Must Act Swiftly to Deliver Food Assistance Allowed by Families First Act” (Updated April 7, 2020) at <https://www.cbpp.org/research/food-assistance/usda-states-must-act-swiftly-to-deliver-food-assistance-allowed-by-families>; and “Most State are Easing SNAP Participation Rules and Providing Added Benefits” (March 2020) at <https://www.cbpp.org/research/food-assistance/most-states-are-easing-snap-participation-rules-and-providing-added>.

<sup>23</sup> See, for instance, Massachusetts Legal Services, “SNAP and Cash Benefits,” <https://www.masslegalservices.org/DTA-COVID-19>

<sup>24</sup> See MassBudget, “A Chilly Reception: Proposed Immigration Rule Creates Chilling Effect for New Immigrants and Current Citizens” (Nov. 2018) at [https://www.massbudget.org/report\\_window.php?loc=A-Chilly-Reception-Proposed-Immigration-Rule.html](https://www.massbudget.org/report_window.php?loc=A-Chilly-Reception-Proposed-Immigration-Rule.html)