

# How Do Massachusetts Tax Filers Experience the Improvements to State Refundable Tax Credits?

By Adam Martin

The following describes the results of four focus groups held with low-to-moderate income Massachusetts tax filers in 2024. The focus groups were held to better understand the tax filers' understanding of and response to recent enhancements of the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

## The Context: A Time of Repeated Policy Change

In October 2023, Massachusetts [passed](#) significant improvements to refundable tax credits for families. This followed the expiration of a set of larger pandemic-related federal tax credit expansions that had been part of the American Rescue Plan Act.

The American Rescue Plan Act [made](#) several temporary expansions to the federal Child Tax Credit (CTC) for 2021. One was that it [increased](#) the CTC from \$2,000 per qualifying child to \$3,600 for qualifying children under age 6 and \$3,000 for other qualifying children under age 18. The CTC was also made fully refundable, meaning families could claim the credit even if it exceeded the amount of taxes they owe. This component was critical to expanding the CTC's impact on families living with low incomes, whose lower taxes had previously limited the credit amount they received. Finally, it allowed families to receive half of their estimated CTC amount through monthly payments as opposed to a lump sum amount the following year.<sup>1</sup>

Aside from the CTC, the American Rescue Plan Act also temporarily [expanded](#) the federal Earned Income Tax Credit (EITC) for workers without children, almost tripling the maximum amount to roughly \$1,500 and extending eligibility to a broader income and age range.

The [impact](#) of these expansions was dramatic, as was their subsequent removal. Nationwide, the [Supplemental Poverty Measure \(SPM\)](#), a comprehensive measure that includes payments from social programs such as the EITC and Social Security, dropped from 9.2 percent in 2020 to 7.8 percent in 2021, when these expanded credits were in place. After they expired in 2022, the SPM rose to 12.4 percent in 2022. For BIPOC communities, the [increase](#) in poverty at the end of the expansions was even larger. The sizable increase, and then decrease, in federal



refundable tax credits provides an important backdrop for the historically unprecedented new refundable credits for families in Massachusetts.

First, [Massachusetts](#) increased the state's Earned Income Tax Credit (EITC) match from 30 percent of the federal EITC to 40 percent. The EITC serves as a benefit for low- and moderate-income families. Qualified individuals include those who earn income and meet certain income restrictions, are US citizens or resident aliens, and have a Social Security Number (SSN). The credit is particularly targeted to working families with children. For tax year 2023, the Massachusetts credit amount ranges from a maximum of \$240 to filers with no qualifying children to a maximum of \$2,972 to filers with 3 or more qualifying children.



The other major change introduced this past tax year was the [creation](#) of the Child and Family Tax Credit (CFTC). Under this new credit, individuals qualify for \$310 per eligible dependent during the 2023 tax year, which includes children under age 13, disabled dependents or spouses, and dependent adults aged 65 or over. Starting in the 2024 tax year, the credit will increase to \$440 per eligible dependent.

This new credit has several other differences from the state EITC. One is that the CFTC does not have income restrictions, meaning households with dependents can benefit from the CFTC even if they earn too much to qualify for the state EITC or aren't earning income. Another difference is that the CFTC extends to qualifying dependents that do not have an SSN. Taxpayers without an SSN can file with an Individual Tax Identification Number (ITIN) and may use a Massachusetts Alternative Taxpayer Identification Number (MATIN) for any qualifying individuals without an SSN or ITIN. These additions [mean](#) that many otherwise eligible households that have missed out on the state EITC can now receive some relief through the CFTC.

## The Listening Sessions

Four listening sessions were conducted between March and July 2024 to better understand the experience of low- and moderate-income tax filers with the new credits. The participants from each session were adults who either received or are eligible to receive the CFTC and/or the revised state EITC. The number of participants varied across each session, from as few as six to as many as 16.<sup>2</sup>

To reflect differences in the credits' impact across Massachusetts, each listening session took place in a different city. The first session was held in Lowell, the second session in Boston, the third session in Quincy, and the fourth session in Worcester.

For each session, a moderator led discussions about the participants' experience with the CFTC and state EITC. Questions include the participants' awareness of the credits, how the credits have impacted their family's financial situation, how they use the money gained from the credits, barriers in accessing the credits, and what additional changes could be made to the credits. The moderators further encouraged open and free discussion among participants.

## Themes in the Experiences of Tax Filers

From these listening sessions, several themes emerged regarding how the CFTC and state EITC impact families across the state.

### Theme 1 - Appreciation for how the CFTC and state EITC help people make ends meet

- *"I have a 29, 15, 9, and 7-year old, so the Earned Income Tax Credit really helps me to get them through."*
- *"I will say that I didn't even know that I got this extra money. But ... I pay bills, I pay back people that I owe, I maybe have a little bit for like a little vacation for us, but that's pretty much what I do with it."*



All participants found the money they received from the credits helpful. When asked how they used the money, most participants said they used it for necessities or paying bills. A few participants said they used the money for vacations or activity fees for their children. Participants generally viewed the credits as a boost to plug up smaller holes in their financial situation.

### Theme 2 - Frustration that the CFTC and state EITC aren't more generous

- *"If I had more from tax credits, I would put my kids in sports or after-school programs."*
- *"I think they should change the ages. I have a 19-year old and she's still living in my house and in high school. It didn't help though, but I'm still taking care of them."*
- *"Every time I get my taxes, I always try to catch up on other bills or like anything I use credit cards for. So that's basically like where my taxes go to, but if I can get more, then I can use that for something else. Not bills, you know."*

Despite appreciation for the credits, almost all participants wish they could do more with the money they get, particularly on resources that enrich their children's lives. Respondents identified structural barriers to a decent standard of living, such as access to affordable housing and high-paying jobs. Several respondents also felt guilty that they couldn't use a child tax credit directly for their child's activities, instead having to prioritize household necessities. Considering this, almost all respondents support additional policies that expand these credits.

### Theme 3 - More opportunity exists to provide information and access for tax credits

- *"Letting them know what you could be qualified for before filing for taxes, letting me know what kind of tax credits are out there."*
- *"You have to have [filings] in many languages."*
- *"Last March, I had an issue with volunteers. They tried to decline me [for credits] because of my limited income and they were trying to tell me I don't have to file taxes."*



Participants cited various challenges they encountered while learning about the credits, making it more difficult for them to claim it on their taxes. Participants used various programs to file their taxes, including the Volunteer Income Tax Assistance (VITA) program. The VITA program is effective at providing free tax assistance for low-income families. Participants nonetheless noted variation in experience and knowledge across volunteers, meaning some users were less informed about the CFTC and state EITC. Other services, like the

Department of Transitional Assistance (DTA), were criticized for lacking important details and being difficult to navigate. Considering that programs like VITA and DTA play an important role in helping low-income families file these tax credits, it's crucial for these programs to maintain and improve their infrastructure to ensure more families can learn about and access these credits.

#### **Theme 4 - Confusion over how the CFTC and state EITC work**

- *"I was aware of the Earned Income Credit, but I didn't know that it increased 10 percent from the year before."*
- *"See, on the news they tell you. Yeah, this is gonna make a change like next year or the year after. It's like, I'm gonna forget about it."*
- *"I hear the numbers thrown at me, but it's like all Greek to me. But as long as I don't owe, I walk out of there with a smile."*

Most participants were not aware of certain details regarding the CFTC and state EITC. When asked how much each credit gave out, few participants were able to answer correctly. Participants were also uncertain about who was eligible to receive each credit. The most common misconception was assuming that the Massachusetts CFTC had income restrictions. The moderator in each listening session explained how each credit worked after allowing participants to answer. One reason for this was confusion between state and federal tax credits, particularly the state and federal versions of the EITC. Another reason was that participants do not closely follow yearly changes to the tax code, meaning they have to rely on their tax preparers to communicate these changes. Finally, participants tended not to care about the distinct impact of the CFTC and state EITC. Rather, they focused primarily on the bottom line: how much money they were getting back.



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## Endnotes

<sup>1</sup> The expansion also raised the age limit for qualifying children by including 17-year-olds, who were previously excluded from the credit.

<sup>2</sup> All participants were given a gift card for their involvement.