SENATE DOCKET, NO. 140 FILED ON: 1/14/2021

SENATE . . . . . No. 1852

The Commonwealth of Massachusetts

PRESENTED BY:

James B. Eldridge

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act providing a guaranteed minimum income to all Massachusetts families.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
James B. Eldridge	*Middlesex and Worcester*	
Erika Uyterhoeven	*27th Middlesex*	*2/26/2021*
Jason M. Lewis	*Fifth Middlesex*	*3/2/2021*
Joan B. Lovely	*Second Essex*	*3/4/2021*
Joanne M. Comerford	*Hampshire, Franklin and Worcester*	*3/5/2021*
Sal N. DiDomenico	*Middlesex and Suffolk*	*3/31/2021*

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By Mr. Eldridge, a petition (accompanied by bill, Senate, No. 1852) of James B. Eldridge, Erika Uyterhoeven, Jason M. Lewis, Joan B. Lovely and other members of the General Court for legislation to improve the earned income credit for healthier families. Revenue.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. *1646* OF 2019-2020.]

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Second General Court
(2021-2022)

An Act providing a guaranteed minimum income to all Massachusetts families.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 6 of chapter 62 of the General Laws, as appearing in the 2018 Official Edition, is hereby amended by striking out subsection (h) and inserting in its place the following subsection:-

(1) For purposes of this subsection, the following definitions apply:

"Adjusted gross income" has the meaning given in section 62 of the Code.

"Basic credit" means an amount equal to $2,400. For each taxable year commencing on or after January 1, 2022, the basic credit shall be adjusted annually for inflation at a rate equal to the cost-of-living adjustment determined under section 1(f)(3) of the Code.

"Earned income" has the meaning given in section 32(c) of the Code.

"Eligible caregiver" means an individual who claims as a dependent one of the following:

(i) a qualifying child who has not attained the age of 6 before the end of the tax year;

(ii) a qualifying relative who has attained the age of 70 before the end of the tax year, or

(iii) who is permanently and totally disabled as defined in section 22(e)(3) of the Code.

"Eligible claimant" means an eligible individual, eligible caregiver, or eligible student.

"Eligible individual" has the meaning given in section 32(c)(1) of the Code, except that "age 18" is substituted for "age 25" and "but not attained age 65" is disregarded in section 32(c)(1)(A)(ii)(II).

"Eligible student" means an individual who:

(i) is enrolled at an institution of higher education;

(ii) is enrolled for at least one-half the normal full-time work load for the course of study that the student is pursuing, as indicated on the student's Internal Revenue Service form 1098-T;

(iii) is enrolled in a course of study necessary for enrollment in a program leading to a degree or certificate; and

(iv) is not claimed as a dependent as defined in section 152(a) of the Code for the taxable year.

"Federal credit percentage" means the earned income credit percentage determined in section 32(b)(1) of the Code; provided, however, that for each additional qualifying child above

3 children, the guaranteed minimum income credit percentage shall increase by 5 basis points per qualifying child.

"Federal match" by the commonwealth equals 50 percent.

"Federal phaseout amount" means the phaseout amount determined in section 32(b)(2) of the Code and adjusted for inflation pursuant to section 32(j) of the Code.

"Initial rate" means the federal credit percentage for eligible claimants with one qualifying child in section 32(b) of the Code multiplied by the federal match.

"Maximum earned income" means an amount equal at the time of enactment to $75,000. For each taxable year commencing on and after January 1, 2023, the maximum earned income shall be adjusted annually for inflation at a rate equal to the cost-of-living adjustment determined under section 1(f)(3) of the Code.

"Phaseout rate" equals 4.8 percent.

"Qualifying child" has the meaning given in section 32(c) of the Code.

"Qualifying relative" has the meaning given in section 152(d) of the Code.

"State phaseout amount" means an amount equal to the maximum earned income minus the quotient of the basic credit divided by the phaseout rate.

"Taxable income" has the meaning given in section 63 of the Code.

"Guaranteed minimum income credit" has the same meaning as the earned income credit.

(2) (i)An individual may, based upon this subsection, receive a guaranteed minimum income credit against the tax imposed under this chapter. To receive a guaranteed minimum income credit, an individual must be an eligible individual, except that an individual may also receive a guaranteed minimum income credit if the individual:

(A) is an eligible caregiver, or an eligible student, with or without any earned income; or

(B) has an earned income or a federal adjusted gross income that is greater than the maximum earned income amount allowed for the earned income credit under section 32 of the Code but does not exceed the maximum earned income as defined in this subsection.

(ii) For an individual who has no qualifying child:

(A) for an earned income less than the basic credit divided by the initial rate, the guaranteed minimum income credit equals earned income times the initial rate, except that if the individual is an eligible caregiver or an eligible student and if earned income multiplied by the initial rate is less than the basic credit, then the guaranteed minimum income credit equals the basic credit;

(B) for an earned income less than the maximum earned income and greater than the basic credit divided by the initial rate, the guaranteed minimum income credit equals the basic credit; except that the guaranteed minimum income credit is reduced by the earned income, or if greater, federal adjusted gross income, in excess of the state phaseout amount multiplied by the phaseout rate.

(iii) for an individual who has one or more qualifying children:

(A) for an earned income less than the federal phaseout amount, the amount of the guaranteed minimum income credit equals the federal match multiplied by the earned income credit allowed under section 32 of the Code, except that if the individual is an eligible caregiver or an eligible student and if the federal match multiplied by said earned income credit amount is less than the basic credit, then the guaranteed minimum income credit equals the basic credit.

(B) for an earned income less than the maximum earned income and greater than the federal phaseout amount, the amount of the guaranteed minimum income credit is the greater of the federal match multiplied by the corresponding credit under section 32 of the Code or the basic credit; except that the guaranteed minimum income credit is reduced by the product of the earned income, or if greater, federal adjusted gross income, in excess of the state phaseout amount multiplied by the phaseout rate.

(3) If other credits allowed under this section are utilized by the taxpayer for the taxable year, the guaranteed minimum income credit afforded by this subsection shall be applied last. If the amount of the guaranteed minimum income credit allowed under this subsection exceeds the taxpayer's liability, the commissioner shall treat the excess as an overpayment and shall pay the taxpayer the amount of the excess without interest.

(4) With respect to a person who is a nonresident for part of the taxable year, the allowable guaranteed minimum income credit shall be the guaranteed minimum income credit as calculated in clause (2) multiplied by a fraction, the numerator of which shall be the number of days in the taxable year the person resided in the commonwealth and the denominator of which shall be the number of days in the taxable year. A person who is a nonresident for the entire taxable year shall not be allowed the guaranteed minimum income credit.

(5) For the purposes of this subsection, a married taxpayer shall satisfy the joint filing requirement under section 32 of the Code if the taxpayer files an income tax return using a filing status of married filing separately and the taxpayer: (i) is living apart from the taxpayer's spouse at the time the taxpayer files the tax return; (ii) is unable to file a joint return because the taxpayer is a victim of domestic abuse; and (iii) indicates on the taxpayer's income tax return that the taxpayer meets the criteria of clauses (i) and (ii).

(6) For the purposes of this subsection, a taxpayer may claim a guaranteed minimum income credit under this section, using either a Social Security number or an individual taxpayer identification number, if but for section 32(m) of the Code, the taxpayer would be eligible to claim a guaranteed minimum income credit.

(7) (i) An eligible individual shall be treated as having made a payment against the tax imposed under this chapter for such taxable year in an amount equal to a minimum of $2,400.

(ii) The department shall disburse an estimated 50 per cent of the refund payable under this subsection electronically or otherwise to an eligible individual on a biweekly basis in advance over the course of the tax year and the remainder of the refund payable after the department receives the eligible individual's tax return; provided, however, an eligible individual may elect in writing to receive the full refund payable under this subsection electronically or otherwise after the department receives the eligible individual's tax return.

(iii) Eligible individuals who claim a tax credit in advance and are not otherwise required to file a Massachusetts tax return may satisfy the requirements of this subsection by filing a simple reconciliation form with the department.

(8) In order to ensure the widest possible dissemination of the state and federal earned income credit, the department shall: (i) include multilingual information by video and text in its website about the guaranteed minimum income credit, free tax preparation services, and low-income taxpayer clinics; (ii) provide all employers with a multilingual poster and a notice that sets forth the rights to the guaranteed minimum income credit under this chapter; (iii) require that all employers doing business in the commonwealth post information about the guaranteed minimum income credit in a conspicuous location at the place of employment; (iv) coordinate a notification system by the commonwealth about the guaranteed minimum income credit to applicants for and recipients of unemployment insurance under chapter 151A, applicants for and recipients of transitional assistance benefits, including food stamps, under chapter 18, and to recipients of subsidized health insurance under chapter 118E; and (v) collaborate with labor organizations, chambers of commerce, municipalities, community-based organizations, and taxpayer advocates to disseminate information about the guaranteed minimum income credit. The multilingual poster and notice requirement in clause (i) shall comply with the requirements for employer's unemployment notices under clauses (i) and (iii) of subsection (d) of section 62A of chapter 151A.

SECTION 2. Section 1 of this act shall apply to tax years beginning on or after January 1, 2022.