MetroCommon × 2050
Policy Recommendations

Equity of Wealth and Health

Enable wealth creation and intergenerational wealth transfer

MAPC

Recommendation: Enable wealth creation and intergenerational wealth transfer

Strategy 1

Enable more people to build and maintain wealth.

Nationwide, economic mobility has been on the decline for decades. While this trend is evident across the several ways in which people build wealth, including savings, real estate, and investments, it is particularly true with respect to earnings. The proportion of Americans making more than their parents dropped from 92 percent for individuals born in 1940 to 50 percent for individuals born in 1984.[1] There are a multitude of factors that have influenced these outcomes, including skyrocketing housing and higher education costs, consolidation of corporate power, wage stagnation, and disintegration of the social safety net. Systemic racism has catalyzed and exacerbated these trends.

In the Commonwealth, the ability to secure a well-paying job, build adequate savings, and gain access to a range of economic opportunity continues to vary sharply across racial lines. While 70 percent of White households in Massachusetts own a home, just over a third of households of color are homeowners. Non-white households are more likely to have student loan and medical debt. And there is the oft-cited disparity of median net worth being close to a quarter million for white households in Metro Boston, but just $8 for non-immigrant Black households in the region.[2, 3] In addition to burdens at the individual and community levels, disparities in racial wealth hurt the economy of the Commonwealth as a whole. The Massachusetts Taxpayers Foundation estimates that if Massachusetts were to close racial divides in wages, housing, investments, and wealth, the Massachusetts gross state product could increase $25 billion over five years.[4] By limiting the ability to build wealth today, we are setting up future generations for continued inequities in the absence of significant reform.

In addition to the actions described below around increasing wages and access to benefits, expanding the availability of high-quality jobs is also critical to addressing racial disparities in wealth generation and quality of life. Since low-income individuals are disproportionately employed by small businesses,[5] strengthening the resiliency of small businesses and promoting their integration to the broader regional economic development landscape will benefits their employees as well. (See “**Expand and promote the resiliency of small businesses, particularly those owned by people of color, and encourage large employers to invest in local economies and advance equity**” for specific recommendations.) Additionally, more flexible schedules and more predictable work hours would not only help more

1 https://www.nber.org/system/files/working_papers/w22910/w22910.pdf.

2 https://www.bostonfed.org/publications/one-time-pubs/color-of-wealth.aspx.

3 A recent study by the Federal Reserve Bank of Boston found that, when considering pensions and Social Security, the racial wealth gap narrows significantly. However, on average, White families still have on average three times as much as wealth Black families. While the methodologies for measuring wealth vary, studies consistently demonstrate a persistent racial wealth gap in the region. https://www.bostonfed.org/news-and-events/news/2021/08/racial-wealth-gaps-shrink-using-new-measure-according-to-boston-fed-study.aspx.

4 https://masstaxpayers.org/sites/default/files/publications/2021-05/ClosingtheRacialDivide_FINAL_0514.pdf.

5 https://www.gallup.com/education/309911/characteristics-good-jobs-low-income-workers.aspx.

people retain employment while balancing additional responsibilities, but also improve overall quality of life. (See "Improve quality of life and reverse the rising rate of chronic diseases, particularly among populations experiencing health inequities" for more details on how to offer more workers this kind of stability.)

- **Action 1.1: Institute a statewide pilot of guaranteed income and a baby bonds program.** The COVID-19 pandemic has renewed momentum for universal basic income (UBI), which provides individuals with a small, fixed amount of unrestricted cash provided on a regular basis. Proponents of UBI highlight the flexibility of the relief provided as a primary benefit of the program. Unlike other forms of aid, which recipients can use for specific purposes such as education, housing costs, or groceries, UBI programs provide residents with the flexibility to spend funds where they are most needed. While cities around the country have been piloting UBI during the pandemic to support individuals most impacted by the economic consequences of COVID-19, other government entities have long provided their residents with guaranteed income. Shortly after it achieved statehood, Alaska created a state-owned investment fund to hold oil proceeds, and dividends from that fund have been paid out to residents for the last 40 years.[7] Since 1997, the Eastern Band of Cherokees established a casino dividend program that would distribute a portion of casino revenue to all reservation residents. Importantly, studies have found that these two programs have had no demonstrable effect on labor force participation, and, in the case of the Eastern Band of Cherokees, program participants experienced improved mental health outcomes in the long-term.[8] The Commonwealth should advance a guaranteed income pilot, potentially using federal pandemic recovery dollars to fund the program. The state could limit the pilot to individuals under a certain income threshold, and should require a robust data collection effort to determine how funds are utilized as well as what resources would be needed to sustain the program in the long term.

  Working in tandem with universal basic income, baby bonds can help address some of the disparities in wealth early on, before they are exacerbated into adulthood. Economists William Darity and Darrick Hamilton have led renewed interest in baby bonds to reduce the racial wealth gap. Baby bonds are typically publicly funded trust fund accounts provided at birth. Contributions would be made annually, with the largest contributions going to low-income families. Individuals are generally able to access the funds at age 18, and can only use them for wealth building purposes, such as purchasing a home, starting a business, or getting an education. At the federal level, Sen. Cory Booker (D-NJ) and Rep. Ayanna Pressley (D-MA-7) have proposed the American Opportunity Accounts Act, which would create a national baby bonds program. Each child's account would receive an initial $1,000 deposit, with additional contributions made annually. Children from the lowest-income households would receive the maximum annual contribution of $2,000. Recently, Connecticut became the first state in the nation to implement a statewide baby bonds program. After July 1, 2021, children in Connecticut whose birth is covered under the

6 https://apfc.org/.

7 https://www.salon.com/2016/06/21/many_countries_are_weighing_cash_payments_to_citizens_could_it_work_in_the_u_s/.

8 http://pinguet.free.fr/nber24337.pdf.

state's Medicaid program are eligible to receive $3,200 in a trust account, which will accumulate until the child is able to access the fund at age 18.[9] The Commonwealth should institute its own baby bonds program to work in tandem with the existing Massachusetts Baby Steps savings plan, the state's universal educational savings program. These efforts should happen alongside an expansion of the Family Self Sufficiency (FSS) program (see Action 2.1)

Best/emerging practice: During the pandemic, the City of Chelsea launched the **Chelsea Eats** program, which provided about 2,000 households a small monthly stipend for six months. Chelsea was among Massachusetts municipalities most severely impacted by the COVID-19 pandemic and subsequent economic downturn. In September 2020, the City shifted away from an extensive food distribution system to instead pool local and state resources with philanthropic aid to launch the Chelsea Eats initiative.[10] The program enabled residents to purchase their own food using a pre-paid card with $200-$400 loaded monthly over the pilot period. While the City of Chelsea did not expressly require families to only spend money on food purchases, nearly three-quarters of card spending occurred at locations that primarily sell food: grocery stores (50 percent), wholesale club (12 percent), restaurants and restaurant delivery (seven percent), and markets and convenience stores (six percent).

Action 1.2: Finance tuition free community college for low-income individuals, including older adults. Higher education remains a key factor in one's ability to find high quality, well-paying work. However, across community colleges, public universities, and especially private institutions, costs are rapidly rising. In FY2021, the average total cost of annual tuition and mandatory fees at Massachusetts community colleges was nearly $6,800, up 22 percent since FY 2016.[11] At the same time, the percentage of undergraduates coming from low-income families is growing. In 1996, 13 percent of dependent undergraduates at public two-year institutions were living in poverty, compared to 27 percent in 2016.[12] During the same timeframe, the percentage of nonwhite undergraduates has grown from 31 to 50 percent. While expanded access to educational opportunity is critical to addressing wealth inequality, it should not come with a disproportionate financial burden to low-income families.

As such, Massachusetts should institute statewide tuition free community college for low-income individuals. The Commonwealth should look to the City of Boston's Tuition Free Community College initiative to structure a comparable statewide program that considers student income, eligibility for federal aid, and other factors. While the state would likely target a program of this nature at high school students, older adults who meet the eligibility criteria should be able to participate as well. There is ample precedent for scaling up a free tuition model—17 states have launched tuition free college programs. Many are structured as last dollar programs, covering mandatory tuition fees and costs after accounting for federal aid and grants.

9 https://portal.ct.gov/-/media/OTT/Press-Room/Press-Releases/2021/PR070121---CtMakesHistoryTodayCtBabyBondsforCtChildrenintoPoverty.pdf.

10 https://www.hks.harvard.edu/centers/taubman/programs-research/rappaport/research-and-publications/special-collections/covid-19-relief-chelsea-ma.

11 https://www.mass.edu/datacenter/tuition/appendixtuitionfeesweight7.asp.

12 https://www.pewresearch.org/social-trends/2019/05/22/a-rising-share-of-undergraduates-are-from-poor-families-especially-at-less-selective-colleges/.

Action 1.3: Expand access to retirement savings accounts for freelance and contract workers through portable benefits solutions and other state-sponsored options. According to the AARP Public Policy Institute, workers are 15 times more likely to save for retirement when they can do so through an employer payroll deduction savings plan.[13] Low-wage workers are less likely to have access to such plans, exacerbating wealth inequities in the long-term. In Massachusetts, only 28 percent of workers making less than $28,000 annually have access to an employer-sponsored retirement plan, compared to 71 percent of individuals making over $100,000 annually.[14] These challenges are poised to become more complex as the gig economy grows. From 2010 to 2019, the share of gig workers increased 15 percent, and gig work is poised to remain a key feature of our economy into the future.[15] As this kind of flexible work continues, the Commonwealth needs to innovate new approaches to ensure all workers can save for the future.

In 2012, Massachusetts created the CORE plan, a tax-deferred and post-tax 401(k) savings plan developed for eligible small nonprofit organizations that expands retirement savings options to employees of these organizations. The Administration should explore expanding the eligibility of this plan to employers that primarily hire freelancers and independent contractors.

Another option is to require companies to offer a portable benefits solution to their workers. Portable benefits expand retirement savings accessibility by tying benefits to workers, not employers. Universality is a key feature of portable benefits - workers accrue benefits regardless of the number of hours worked or the type of work arrangement.[16] A bill was recently introduced in the New Jersey Senate that would require contracting agents with at least 50 workers to pay into a portable benefits package for their workers. Employer contributions would be based on the number of hours worked or the amount of money made. This bill could serve as a model for a similar program in Massachusetts. While portable benefits will not necessarily benefit the lowest-income workers, this option would begin to expand benefit access to workers who otherwise have limited options. The Commonwealth should continue to consider opportunities to expand access to retirement savings for the lowest-income residents.

Action 1.4: Create a statewide commission to study the use of reparations in Massachusetts. Increasingly, there have been efforts at the local, state, and federal level to assess how reparations can begin to confront the deep and enduring legacy that slavery, Jim Crow, generations of residential, economic, and educational segregation, and other elements of systemic racism have had on the Black community. The National African American Reparations Commission (NAARC) has developed a 10-point framework for reparations centered on repair, healing, and restoration of communities harmed by fundamental human rights violations enacted by governments or corporations.[17] NAARC has led advocacy for the passage of HR.40, filed by Congresswoman Sheila Lee Jackson (D-Texas), which would establish the Commission to Study and Develop Reparation Proposals for African Americans. A number of state legislatures are reviewing bills to create statewide reparations commissions, and in May 2021, California became

13 https://www.aarp.org/ppi/issues/security/.

14 https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2016/employer-based-retirement-plan-access-and-participation-across-the-50-states.

15 https://www.adp.com/-/media/adp/resourcehub/pdf/adpri/illuminating-the-shadow-workforce-by-adp-research-institute.ashx.

16 https://www.aspeninstitute.org/wp-content/uploads/2019/06/Designing-Portable-Benefits_June-2019_Aspen-Institute-Future-of-Work-Initiative.pdf.

17 https://reparationscomm.org/reparations-resources/#reparations-faqs.

the first state to create a reparations task force. Cities and towns are also leading efforts to bring reparations to their residents. Evanston, Illinois created the Restorative Housing Program for Black residents or descendants of residents who experienced housing discrimination from 1919-1969, when redlining and use of racial covenants was a standard practice. In June 2021, Amherst Town Council voted to allocate over $200,000 in a budget surplus to establish a reparation fund and created the African Heritage Reparations Assembly, which will develop the town's reparations plan.

Confronting these historical and ongoing injustices is long overdue, and momentum toward reparations is building across the country. As we look to advance an equitable and resilient recovery, focusing on the households and communities that suffered the brunt of the pandemic and recession, this is a particularly important moment to advance a statewide commission to study reparations in the Commonwealth. A statewide commission should be tasked, firstly, with determining whether and how reparations could be used to address long-standing inequities facing Black residents of Massachusetts; and, secondly, with determining appropriate sources and uses for such funds. To be effective, such programs should draw on the engagement and recommendations of Black community leaders, and they should also be accompanied by additional efforts to dismantle the racism that continues to operate in many sectors of our society, government, and economy.

Strategy 2

Expand the social safety net to lift families out of poverty.

The foundation of the modern American social safety net began during the New Deal era and took off post-World War II. The Great Society era was marked by a multitude of programs designed to reduce poverty, expand access to jobs and educational opportunities, and grow the economy. Today, programs such as Head Start, SNAP (i.e. food stamps), the Community Action Program, and many others remain central features of the support system in place for low-income individuals and families. However, deregulation and growing stigma toward “the welfare state” has led to a weakening of many of these programs. While the Commonwealth has stepped in to strengthen and complement existing federal safety net programs in some instances, there is opportunity to continue these strategic investments. Federal recovery dollars have given us an opportunity to make meaningful investments in our social safety net programs in the Commonwealth. The pandemic has illuminated how quickly individuals and families can find themselves in need of healthcare, housing, and food assistance. Strengthening and expanding programs that provide for these basic needs can help build a more resilient Commonwealth. Social safety net programs can boost economic mobility and begin to address some of the adverse health outcomes associated with prolonged periods of poverty. These measures are particularly critical for immigrants, individuals whose primary language is not English, and indigenous communities, who continue to face undue barriers to accessing these resources and services.

Action 2.1: Increase funding for the Family Self-Sufficiency Program to mitigate the cliff effect and adopt an opt-out model so funding is automatically available to qualifying residents. The Family Self-Sufficiency (FSS) program helps families who receive Section 8 Housing Choice Vouchers connect with a variety of public and private resources to build assets. Through case management and financial coaching services, the FSS program leverages other resources to help families access job training and education opportunities over a five-year period. As families make use of these resources and pay more in rent or earn higher wages, FSS deposits additional money into an escrow account that is available upon graduation from the program. The Department of Housing and Community Development (DHCD)'s FSS program is the seventh largest in the country, and already includes some innovative options for participants, including access to Jump Start funds, incentives to start and complete job training and post-secondary education, and a bonus for FSS graduates who leave the program early to pursue homeownership or the private rental market. Under DHCD's program, the escrow account is capped at $25,000. While Congress should expand funding for the program, the Commonwealth should invest supplemental resources to grow the program across the state. Initial support for this could potentially come through federal recovery dollars. Additionally, DHCD should consider an opt-out model to ensure all residents who are eligible do not miss the opportunity to participate and build wealth.

Action 2.2: Expand financial support for low-income families and individuals. Massachusetts has several programs for families and individuals in need of economic assistance. Transitional Aid to Families with Dependent Children (TAFDC) is available to eligible families with children, pregnant people, and caregivers. The TAFDC program not only provides individuals with cash payments for direct economic relief, but also enrolls participants in MassHealth and provides referrals to free childcare and employment and training programs. TAFDC benefits have lost half of their value since 1988, and the maximum grant available provides income at less than one-third the federal poverty level.[18] In the FY2022 budget, the Legislature removed the asset limit eligibility requirement, which will help make TAFDC benefits available to additional families in need. During the previous budget cycle, the Legislature increased TAFDC funds by 10 percent, the first increase since 2000. Funds for this program should continue to increase to keep pace with need as the region advances an equitable economic recovery. To more comprehensively strengthen the TAFDC program, the Legislature should pass S.96/H.199, An Act to lift kids out of deep poverty, filed by Senator DiDomenico and Representative Decker. This bill would gradually increase TAFDC until grants reach 50 percent of the federal poverty level.

Emergency Aid to the Elderly, Disabled, and Children (EAEDC) is a similar cash assistance benefit for individuals with disabilities, individuals over the age of 65, and certain families with children who do not qualify for TAFDC. In the FY2021 budget, the Legislature increased EAEDC funds by 10 percent, the first increase since 1988. This was an important step forward, and

18 https://www.masslegalservices.org/content/introduction-tafdc-guide.

funding for this program should continue to increase each year to similarly keep up with need. *An Act relative to assisting elders and people with disabilities in the Commonwealth* (S.411/H.750, filed by Senator Pat Jehlen and Representative Jim O'Day) codifies valuable reforms to strengthen the program, including linking the maximum amount eligible participants can receive to the Consumer Price Index, and requiring that unhoused individuals who are eligible for the program receive the same payment rate as individuals who incur shelter costs.

In addition to expanding resources available for these programs, it is also important to ensure coordination across different assistance programs to ensure residents are receiving the resources they need. An Act to streamline access to critical public health and safety-net programs through common applications (S.761/H.1290, filed by Senator Sal DiDomenico and Representative Jay Livingstone), would establish a streamlined application process that allows individuals to apply for multiple needs-based benefits programs and services at the same time. It would allow for individuals applying for or renewing MassHealth coverage to simultaneously apply for the Supplemental Nutrition Assistance Program (SNAP), Department of Transitional Assistance cash benefits, and other benefit programs.

► **Action 2.3: Increase resources available to organizations that participate in Volunteer Income Tax Assistance (VITA) to help families utilize all available tax benefits.** The Volunteer Income Tax Assistance (VITA) program is a free basic tax return preparation assistance program designed for: individuals who generally make $57,000 or less annually, individuals with disabilities, and individuals who are proficient in languages other than English. The program plays a critical role to help individuals ensure they are maximizing their tax benefits. The Commonwealth should increase resources available to organizations that serve as VITA sites during tax filing season and promote stronger coordination with social service agencies to ensure qualified residents are aware of this resource. Additionally, some VITA sites around the country serve as Certifying Acceptance Agents (CAA), which are entities authorized to help individuals who do not qualify for Social Security but need an Individual Taxpayer Identification Number (ITIN). The Commonwealth should identify VITA sites that could also serve as CAAs to help more individuals secure an ITIN.

Strategy 3

Amend the Massachusetts Tax Code to be more progressive.

The Institute on Taxation and Economic Policy ranks Massachusetts as the 20th most equitable tax system of any state in the country.[19] While not the worst on the list, there is room to improve the state tax code to make it more progressive and lessen the tax burden on low-income individuals. By having the highest earning households and corporations pay taxes at a rate that is proportional to their wealth, the Commonwealth can generate much needed revenue to expand housing opportunity, invest in a world-class transportation system, strengthen public schools and improve educational outcomes, ensure equitable access to health care, and much more. The federal COVID relief and recovery dollars have provided an unprecedented opportunity to address some vulnerabilities made most deeply evident during this time, including expanding rental assistance and addressing food insecurity. Considering the scope of need, however, these federal dollars are just a short-term fix. A more progressive tax code would mean more revenue to make permanent some changes that helped residents hit hardest by the pandemic gain access to economic opportunity and provide for their families.

- **Action 3.1: Adopt a graduated income tax.** Currently, Massachusetts residents pay a flat 5 percent tax on income. The Commonwealth is one of nine states that have a flat income tax rate. While nine other states have no income taxes, the remaining 32 have some form of graduated income taxes, meaning the tax rate increases as income increases. Adopting a graduated income tax will allow the Commonwealth to expand services provided to residents without increasing financial hardship on low-income families. This is particularly critical as the Commonwealth looks to sustain and make permanent some housing, workforce development, and public health investments made in part to accelerate an equitable and resilient economic recovery.

  As the structure of a graduated income tax is devised, the Commonwealth should implement a temporary one percent increase in the income tax, with mechanisms necessary to protect low-income individuals. A one percent increase on the income tax is estimated to generate $2.5 billion per year. This change should include mechanisms to protect low-income individuals, including increasing the Earned Income Tax Credit and the dependent care tax credit. This increase should last five years, while efforts toward a graduated income tax take shape. Further recommendations related to expanding the Earned Income Tax Credit are available in Action 3.2 in "**Improve quality of life and reverse the rising rate of chronic diseases, particularly among populations experiencing health inequities.**"

- **Action 3.2: Increase and expand taxes on unearned income.** To craft a more equitable tax system and generate sustained funds for additional needed services, the Commonwealth should look to increase taxes on unearned income. This includes enacting a one percent increase in the capital gains tax. Capital gains are the profit realized from the sale of stocks, real estate, artwork and other assets. Currently, the state taxes long-term capital gains at five percent, and short-term capital gains (assets sold within one year) at

19 https://itep.org/whopays/.

12 percent. Each one percent increase on long-term capital gains could raise $365 million annually for Massachusetts. An increase in the capital gains tax would primarily impact households with the greatest ability to pay, making for a more equitable tax system.

Additionally, the Commonwealth should adopt an inheritance tax, which six states currently levy. An inheritance tax would allow Massachusetts to collect taxes from out-of-state beneficiaries, so long as the benefactor resided in the Commonwealth. Massachusetts currently levies an estate tax on estates valued over $1 million. While an estate tax is charged against the estate itself, the beneficiary of the estate would be charged the inheritance tax. Maryland currently levies both an estate and an inheritance tax. As is the case with the existing estate tax, the inheritance tax should only apply to estates valued above a certain threshold. Additionally, all these tax mechanisms should include exemptions for low- and moderate-income seniors and disabled persons.

Action 3.3: Increase the corporate income tax from 8 to 9.5 percent. Taxing corporate profits is one of the primary ways Massachusetts generates income from businesses. Today, the Commonwealth applies an eight percent tax on most corporate profits, though tax rates and tax bases vary across industries. There is a minimum excise tax of $456 for corporations. Increasing the corporate income tax rate to 9.5 percent could generate $375 million to $500 million per year.[20] This increase would return the tax to pre-2009 levels. In July 2008, Governor Deval Patrick signed into law a corporate tax reform package that steadily reduced the corporate income tax rate on Massachusetts-based businesses while closing loopholes that enabled multi-state and multi-national corporations to report lower taxable income. This change was meant to keep Massachusetts competitive as the nation emerged from the Great Recession. While the COVID-19 pandemic has brought about its own set of economic challenges, many large corporations saw profits remain the same or even grow while small businesses experienced greater financial insecurity. Previously, there have been efforts to establish a tiered minimum corporate income tax. The Massachusetts House included this provision a transportation revenue package proposed during the 2019-2020 legislative session.

20 https://www.massbudget.org/reports/pdf/FactsAtAGlance_CIT-Increase_FINAL_8-6-2020.pdf