

## Identifying Medicaid and SNAP receiving households in Illinois who do not file taxes

### Analysis for New America Chicago

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#### Introduction

Illinois has a number of programs aimed at benefiting lower income families. Many allow direct enrollment, such as Medicaid or the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps). However, some federal antipoverty programs, such as the Earned Income Tax Credit (EITC), are only available to households who submit tax filings. In addition, some state-level programs are designed to work in conjunction with the Federal credits in the tax code, such as the Illinois Earned Income Credit (EIC), which is set as a percentage of the Federal credit. This program design is efficient in reaching households through the Internal Revenue Service (IRS), but it risks leaving out “Non-Filer” households – those who usually do not earn enough income to file taxes. **It is estimated that up to 12 million people across the country did not file taxes in 2020**, many of whom are part of households that are enrolled in other benefits programs. The purpose of this brief is to understand the potential pool of households who are eligible for but are not yet receiving these tax-based income supports.

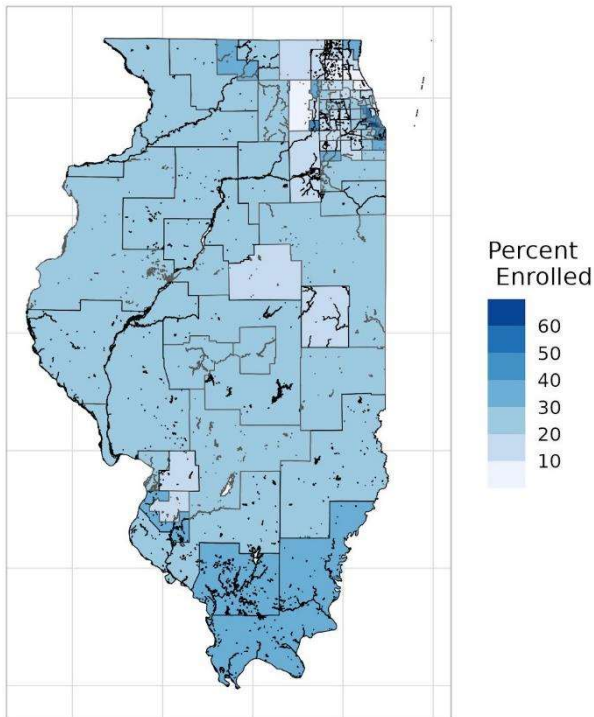
Background: Medicaid and SNAP Enrollment in Illinois

In Illinois, over 600,000 households are enrolled in SNAP, and over 1 million households are enrolled in Medicaid. In total this represents over 2.5 million people, including over 1.5 million children. On average, the typical enrollee in Medicaid or SNAP programs in Illinois reports being Black or African American (46%), with an average household income of around \$38,000. In Table 1, we show enrollment rates for both programs separately.

Table 1: Medicare or SNAP Enrolled Households by Race

Race	SNAP Enrolled	Medicaid Enrolled
American Indian or Alaska Native	19.6%	36%
Asian or Native Hawaiian or Other Pacific Islander	8.1%	17.9%
Black or African American alone	31.3%	40.7%
Other/Multiple Race	18.9%	38.5%
White alone	8.6%	17%

Figure 1: Medicaid or Snap Enrollment by PUMA



Source: ACS 2015-2020

Figure 1 shows that these households are distributed across Illinois, with higher concentrations in the City of Chicago and downstate Illinois.

### Filing Taxes for Benefits Enrolled Households

The IRS rules on who must file taxes stipulate that some individuals with incomes lower than \$12,200, or married couples with incomes lower than \$24,400 are not required to file. While these populations may not be required to, in some cases **it might still benefit their households if they do file taxes.** During the COVID-19 pandemic, the Economic Impact Payments authorized through the CARES act were sent out automatically to those households who had filed a return in 2018 or 2019. Families who had not filed in those years risked missing out on these emergency payments. To address this gap, a special [Non-Filers tool](#) was created to help issue payments to these households. Other programs, such as the Earned Income Tax Credit (EITC), are calculated based on Adjusted Gross Income (AGI), which is reported through tax filings for

households. In Illinois, households who qualify for the EITC are also eligible for the state Earned Income Credit, which is calculated as an additional 18 percent of a household's Federal EITC for that filing year. For tax year 2023, that credit amount was increased to 20 percent. While households enrolled in either Medicare or SNAP earn average incomes of around \$50,000, those who are not required to file taxes will by definition have incomes below the filing threshold. These households are more vulnerable to income shocks and could benefit from the EITC and related income support programs.

#### Characteristics of Benefits Enrolled Non-Filers

Using Census microdata, which includes questions on program enrollment, income, and citizenship, we identify likely non-filing households in Illinois. We estimate that around **250,000 households in Illinois do not file taxes who are enrolled in Medicaid or SNAP, assuming all households under the income thresholds do not file.** Among this population, over 60 percent report no income at all in the Census data. Table 2 breaks down this population by race, showing around 60 percent of white households enrolled in benefits do not file taxes. It's possible this can be attributed to much lower average household incomes, even when parsing by marital status. On average, white single filer households report around almost \$6,500 of income, while married households report closer to \$15,000. Both are well below the IRS income thresholds requiring tax filing.

Table 2: Benefits Enrolled Non-filers by Race

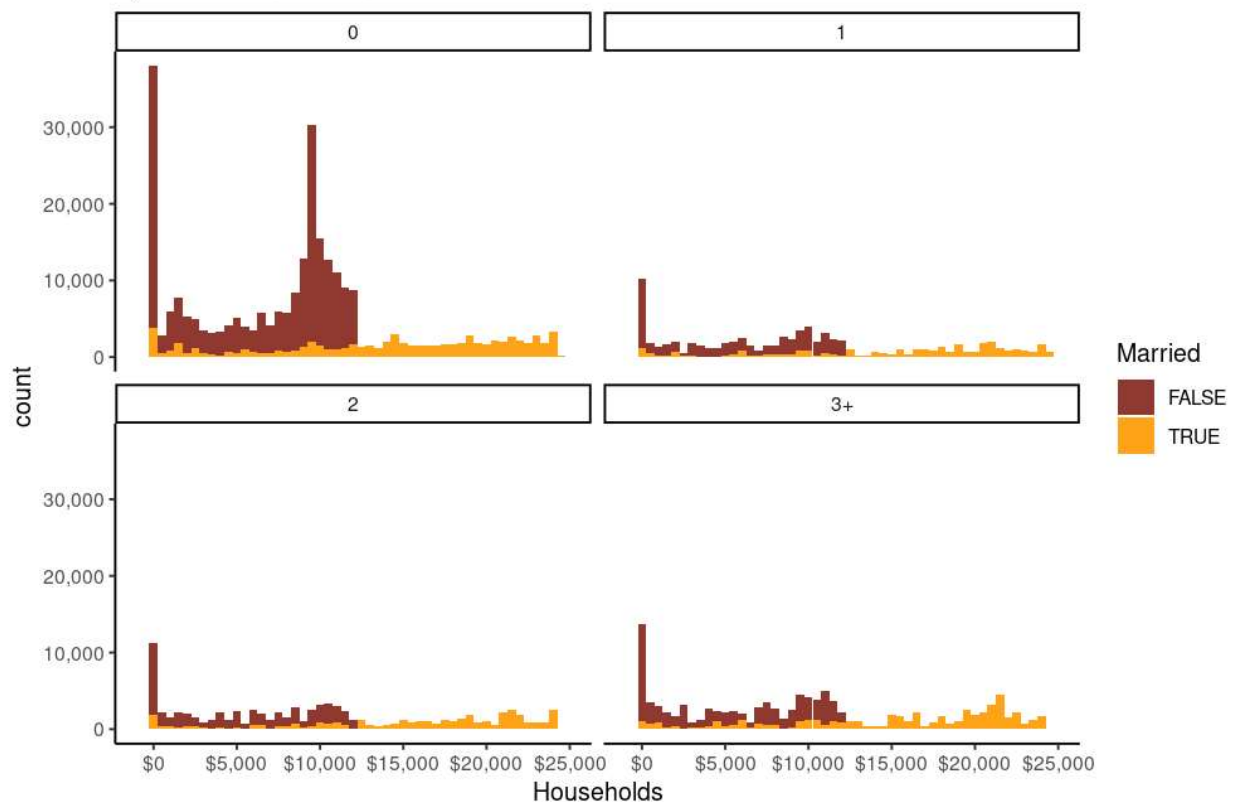
Race Category	Percent
American Indian or Alaska Native	0.4%
Asian or Native Hawaiian or Other Pacific Islander	2.5%
Black or African American alone	32%
Other/Multiple Race	5%
White alone	60.2%

<sup>a</sup> Source: ACS 2016-2021

### Income Profiles of Non-Filers

By definition, the households to whom we assign Non-Filer status all report household income of less than \$25,000, but there is considerable variation under that threshold. As noted above, incomes significantly differ across married and unmarried households. Since EITC credit calculation is largely dependent on the number of children, below is the distribution of household income by number of children for both married and single households.

Figure 2: Non-filer Benefits Enrolled Households by Marital Status and number of children



Source: ACS 2016-2021

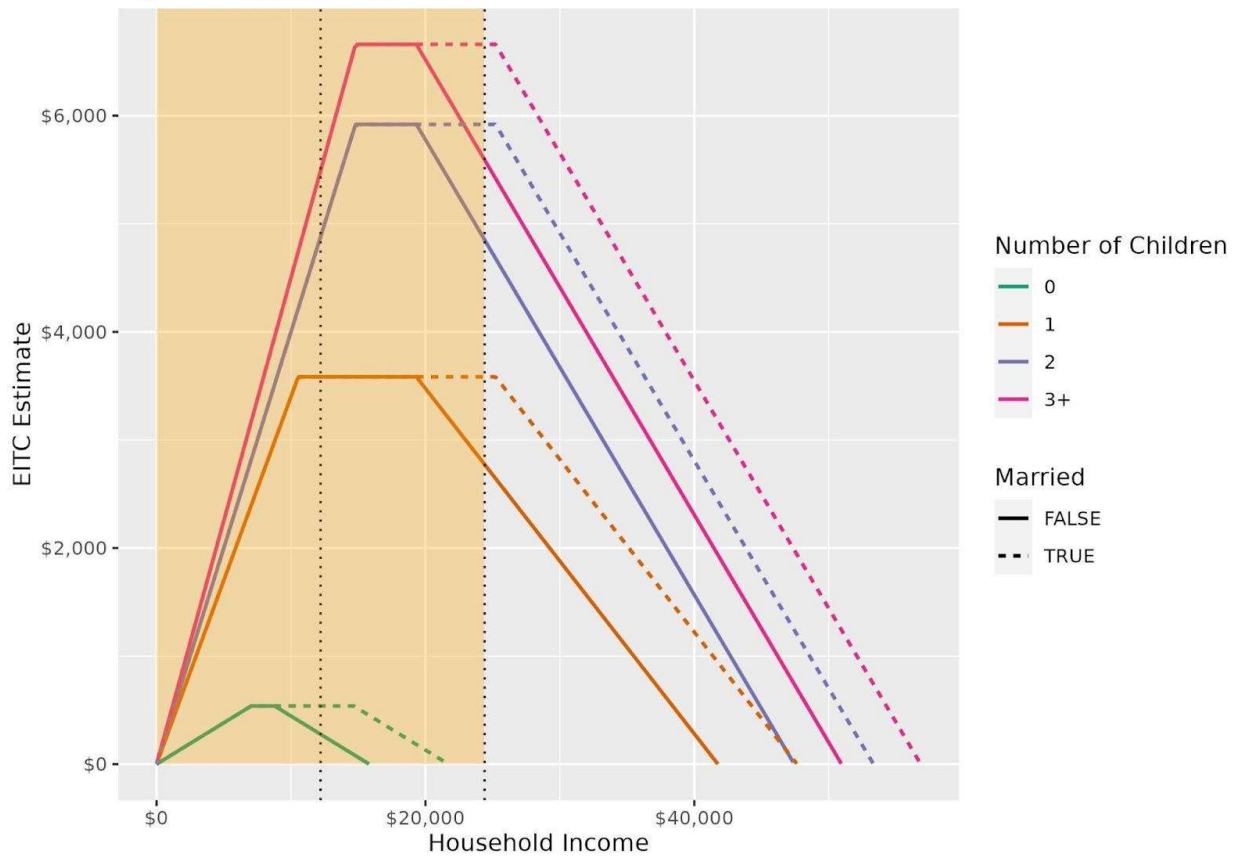
### Importance of Filing for Non-Filer Households

Among Non-Filer households, based on estimates of income, many would qualify for other benefits programs and credits if they filed taxes, even if not required. Households enrolled in SNAP or Medicaid are already connected to benefits along one dimension, and many states have adapted some of the flexibility of Medicaid funding to mandate connection to other services to help address other Social Determinants of Health. One such service could be facilitating tax preparation for these Non-Filer households, which in turn qualifies them for refundable tax credits, such as the Earned Income Tax Credit. We discuss the Earned Income Tax Credit, and then explore the potential reach of increasing tax filing among these households in the next two sections.

### The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a federal tax credit for eligible low- to moderate-income workers and households. The credit is refundable, meaning the filer receives a payment if the credit exceeds their total tax liability. The amount one can claim through EITC varies based on Adjusted Gross Income (AGI) and the number of children in the household. In Census data, we observe household marital status, and number of children in the household, but not information on AGI, so instead use household income as a reasonable proxy. The credit amounts, thresholds, and credit rates were all taken from a [Congressional Research Services report on EITC](#). In figure 3 below, EITC estimates are shown using the entire sample of microdata for Illinois. The populations discussed below – Non-Filers enrolled in SNAP or Medicaid, who are by definition earning below \$24,000, are represented by the light orange area.

Figure 3: EITC Estimates



Source: ACS 2016-2021

*Eligibility for the EITC*

In order to qualify for the Federal EITC, a household must:

- Have worked and [earned income](#) under \$59,187
- Have investment income below \$10,300 in the tax year 2022
- Have a [valid Social Security number](#) by the due date of your 2022 return (including extensions)
- Be a [U.S. citizen or a resident alien](#) all year
- Not file [Form 2555, Foreign Earned Income](#)
- Meet certain rules if separated from one’s spouse and not filing a joint tax return

Estimating Benefits to Non-Filers in Illinois

Census microdata does not include information on all the criteria above, specifically regarding foreign and investment income, and as mentioned above, we proxy household income for AGI. Under these assumptions, we can calculate estimated potential payments that this population could receive if they filed a tax return. We estimate that non-filer households enrolled in SNAP or Medicare could expect to receive, on average, a Federal EITC payment of between \$300 and almost \$5000, depending on the number of children in their household. In Table 3, we show EITC estimates by the number of children in the household. For all estimates, the potential income boost provided by the EITC would not increase incomes above the threshold for SNAP eligibility. Medicaid eligibility in Illinois is set at below 350% of the Federal Poverty Limit (FPL).

Table 3: Benefits Enrolled Nonfiler EITC Estimates, by Number of Children

Number of Children	Average Household Income	EITC Average (\$)	SNAP Gross Yearly Income Threshold
0	7,787.52	364.90	17,676
1	10,899.49	2,778.61	23,808
2	11,708.10	3,951.06	29,940
3+	11,949.15	4,536.51	36,084

Incorporating Illinois State EIC

The Illinois State Earned Income Credit (EIC) was adopted in tax year 2018 and is a state-level version of the EITC, calculated as a percentage of the current year federal EITC. For the 2023 tax year, the EIC is set to increase from 18 to 20 percent. Non-Filers enrolled in SNAP or Medicare who file can expect to receive, on average, an additional EIC of between \$65 and almost \$900, depending on the number of children in their household. Table 4 shows the total costs of these estimates come to around \$25 million. The Illinois EIC also expands eligibility to single filers between 18 and 25, those over 65, and ITIN holder populations. The challenge of estimating the ITIN population and including the impact of their expanded eligibility is considered in the next section.

Table 4: Benefits Enrolled Nonfiler Households State EIC Estimates, by Number of Children

Number of Children	Average IL EIC (\$)	Num. Households	Estimated Cost (\$)
0	72.98	22,411	1,635,555
1	555.72	12,217	6,789,231
2	790.21	9,974	7,881,555
3+	907.3	9,545	8,660,178
Total	-	-	24,966,519

<sup>a</sup> 20% EIC Rate

The appendix below breaks down the cost by families only enrolled in one benefit or the other or both.

### Estimating ITIN Holder Population in Illinois

The decennial Census does not include questions on Individual Taxpayer Identification Number (ITIN) status—a tax identification number given to workers who are required to pay taxes, but who do not have and are ineligible for Social Security numbers (SSN), but the American Community Survey, which is included in the Census microdata, includes questions on citizenship, place of birth, and year of entry into the country. Following a [briefing](#) from the Institute on Taxation and Economic Policy (ITEP), we create a subsample of the Illinois population that is most representative of the ITIN holder population, and use it as a proxy for the ITIN population. The subsample is defined as households with records where at least one person is:

- Not born in the United States
- A Non-US Citizen
- Year of entry into the United States **not** within the last 10 years

Based on reporting from the IRS and their own research, ITEP estimates that only 30 percent of ITIN holders file taxes in any given year. Applying this to our subsample, we estimate that if undocumented households enrolled in SNAP or Medicare files taxes, they could potentially receive an Illinois EIC of between \$59 and \$900. Table 5 below shows our calculation by household size, this would cost the state an additional \$1.5 million.

Table 5: Benefits Enrolled ITIN Nonfilers State EIC Estimates, by Number of Children

Number of Children	Average IL EIC (\$)	Households	Estimated Cost to State (\$)
0	52.88	751	39,712.88
1	611.25	869	531,176.25
2	914.45	615	562,386.75
3+	806.28	568	457,967.04
Total	-	2,803	1,591,242.92

#### Limitations

This analysis used the Census American Community Survey 5-year Estimates, which do not include questions about other benefit program enrollment in addition to SNAP and Medicare, so

these figures may represent a lower bound, when incorporating additional benefits program participation. Further refinements to the ITIN subsample could be made, such as controlling for industry concentration and other adjustments. In subsequent research, comparisons could be made to IRS Statistics of Income tables to create a better estimate of ITIN holding tax populations, as well as updating the assumptions on filing behavior.

### Conclusion

Our estimates using Census microdata allow us a better understanding of the populations who are not being reached by tax benefits for which they are eligible intended to reward work and tax filing. Outreach to households who are enrolled in benefits but do not necessarily earn enough income to require tax filing could increase access to additional tax credits and increased financial security. Several studies have shown that **receiving EITC increases “leads to a 7.3 percentage point increase in employment and a 9.4 percentage point [reduction in poverty]”**. The efforts of the state of Illinois to increase access to this benefit is a move in the right direction, but efforts such as pre-filled tax filings for households enrolled in SNAP and Medicaid could increase uptake of the EITC and EIC without increasing administrative burden on low-income working families.

### Appendix

Table 4a below displays the cost of EIC for Illinois nonfiler households who are enrolled in Medicaid but not SNAP.

Table 4a: Medicaid Enrolled Nonfiler Households State EIC Estimates, by Number of Children

Number of Children	Average IL EIC (\$)	Households	Estimated Cost (\$)
0	69.54	8,357	581,145.8
1	585.83	4,678	2,740,512.7
2	863.88	3,125	2,699,625.0
3+	1022.37	1,661	1,698,156.6
Total	-	-	7,719,440.1

<sup>a</sup> 20% EIC Rate

Table 4b displays the cost of EIC for Illinois nonfiler households who are enrolled in SNAP but not Medicaid.

Table 4b: SNAP Enrolled Nonfiler Households State EIC Estimates, by Number of Children

Number of Children	Average IL EIC (\$)	Households	Estimated Cost (\$)
0	65.86	3,074	202,453.6
1	506.66	426	215,837.2
2	608.77	396	241,072.9
3+	947.35	220	208,417.0
Total	-	-	867,780.7

<sup>a</sup> 20% EIC Rate

Finally, Table 4c displays the cost of EIC for Illinois nonfiler households who are enrolled in both Medicaid and SNAP.

Table 4c: Medicare and SNAP Enrolled Nonfiler  
Households State EIC Estimates, by Number of Children

Number of Children	Average IL EIC (\$)	Households	Estimated Cost (\$)
0	77.59	10,980	851,938.2
1	538.86	7,113	3,832,911.2
2	765.67	6,453	4,940,868.5
3+	881.21	7,664	6,753,593.4
Total	-	-	16,379,311.3

<sup>a</sup> 20% EIC Rate

### To Learn More

To learn more about opportunities to support this work, please contact Misuzu Schexnider, Program Director of Financial Security at the Inclusive Economy Lab, at [misuzums@uchicago.edu](mailto:misuzums@uchicago.edu).