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Amended RELIEF Act Would Ensure Families in Need Aren't Excluded From Vital Assistance

Position Statement, Favorable With Amendments, House Bill 612

Submitted to the House Ways and Means and Economic Matters Committees

Thousands of families across the state continue to face challenges keeping a roof over their heads and food on the table as Maryland and the nation grapple with the economic harms of the coronavirus pandemic. Adding well-targeted state aid on top of ongoing robust assistance from the federal government would help ensure that resources get to those who need it the most. The Maryland Center on Economic Policy supports House Bill 612, known as the RELIEF Act, with amendments to ensure state resources are used in the most effective way possible.

Expand Direct Relief Payments to EITC Recipients

The Earned Income Tax Credit (EITC) is one of the most effective anti-poverty tools we have. The refundable federal tax credit along with Maryland's matching credit helps lift thousands of Marylanders out of poverty each year. Decades of research link the reduction in poverty because of the EITC and the federal Child Tax Credit to better health and educational outcomes for children, among other benefits. Using the administrative framework of the EITC to deliver economic assistance can help thousands of Marylanders afford necessities right away and bring them long-term benefits. Supplementing this approach with policy steps to reach people currently left out by the EITC would generate even better benefits.

Additional economic assistance payments would also benefit Maryland businesses. Because EITC recipients have very low incomes, they are most likely to spend these payments on basic necessities like food, utilities or car repairs at businesses in their community. Every dollar invested in the EITC generates \$1.23 of economic activity, according to one estimate.¹

There are several benefits to using the EITC as a mechanism for delivering additional economic assistance to low-income Marylanders, as proposed in HB 612:

- People with incomes in the EITC range likely include many people who work in service industry jobs who may have experienced layoffs or reduced work hours because of the pandemic. This group also likely includes essential workers like cooks, home care workers, and truck and delivery drivers,² many of whom take home paltry wages despite keeping our economy going during the coronavirus pandemic.

- Providing a consistent payment amount, rather than matching the EITC, ensures that people with very little income who would get a smaller EITC benefit still get a meaningful amount of economic relief.
- Using both the 2019 and 2020 tax years ensures that people who lost work during 2020 and may be newly eligible for the EITC also qualify for some additional economic relief.
- Using a well-defined group of taxpayers and making payments automatic reduces administrative burdens and ensures as many people as possible receive assistance.

However, the current structure of the EITC does not reach all low-income people who could potentially benefit from additional assistance. The Maryland Center on Economic Policy has historically supported various measures to expand the state EITC and make it more effective.

- The economic assistance would leave out many immigrant households. Households where some or all filers use an Individual Taxpayer Identification Number (ITIN) instead of a Social Security number are generally not eligible for the EITC. Immigrant households have already been excluded from most federal relief programs and are more likely to have experienced economic hardship because of the pandemic. **The legislation should be amended to include all individuals and families who would eligible for the EITC based on their income, excluding other factors.**
- In addition, the low upper income limits of EITC eligibility for workers not claiming children as dependents on their taxes (about \$16,000) means that many people who are getting by on very low wages do not receive the EITC, and therefore would not receive the additional economic assistance payment.
- About 20 percent of Marylanders who are eligible for the EITC in a given year don't receive it, for a variety of reasons. This will likely be even more of a challenge in a year with many newly eligible EITC recipients. Additional outreach to people who are potentially eligible for the EITC and additional economic assistance payments would be critical, and could also have long-term benefits in increasing EITC awareness and uptake in Maryland.
- Marylanders who are not able to work for pay in a given year because of a health condition, care responsibilities, or other reasons are not eligible for the EITC. **Extending assistance payments to people with \$0 income will help them afford necessities and further strengthen sales at local businesses.**

In the long term, Maryland's EITC would be more effective if it were expanded to reach those who are currently left out or receive a very minimal credit. This includes taking steps to increase the value of the credit and expand eligibility for workers who don't claim dependents on their taxes. In addition, Maryland would benefit from following Colorado and California, which in 2020 expanded their state EITCs to include immigrant households.

Restructure Mechanism for Assisting Small Businesses

As introduced, HB 612 uses the state sales tax remittance process to administer a form of tax credit for businesses by allowing businesses to keep up to \$3,000 per month of sales taxes collected from their customers, rather than remitting them to the state. Despite attempts in the bill to target these credits to smaller businesses, the structure of this program ensures that the businesses that are doing better financially will gain the most.

Businesses will need to make at least \$50,000 per month in sales to receive the full credit, meaning that the most state resources will go to the businesses that are larger and/or more profitable. Businesses that are temporarily closed because of the pandemic or are making few sales, and therefore likely need the most support to stay in business, would receive little or no benefit.

This program should be replaced with an alternative mechanism that uses state resources more effectively, such as additional grants that can be targeted to the small businesses most in need.

Adopt Senate Amendments

In addition to the amendments outlined above, MDCEP encourages the committee to adopt the following amendments included in the Senate “Recovery Now” amendments, which target additional state aid to Marylanders most in need:

- **Increasing and restoring the Temporary Disability Assistance Program (No0G00.08):** The Temporary Disability Assistance Program (TDAP) is a critical program that provides monthly cash assistance to single adults with no other source of income who have been certified as unable to work due to disability. While the state and federal governments have temporarily increased benefits for many safety net programs, TDAP was left out. MDCEP requests that the committee to adopt the \$22 million Senate amendment that would increase TDAP by \$100 per month until June 2021, and restore benefits to individuals who unfairly lost their TDAP when they were unable to schedule medical certification appointments due to COVID.
- **Assistance through the Office of Home Energy Programs (No0I00.06).** The \$9 million set aside for OHEP would help families struggling with utility payments, providing much-needed assistance to families that owe back payments on utilities. This will allow more than 10,000 families to comfortably stay in their homes.
- **Address the eviction crisis by providing housing aid and legal assistance (S00A25.05 and Co0A00.06).** The pandemic has highlighted the dire lack of affordable housing in Maryland. Thousands of households are facing past due rent payments and the threat of eviction proceedings. The \$25 million for rental assistance will erase the housing debt of 5,000 households, and provide emergency housing assistance for 5,555 households. Moreover, the \$3 million set aside for eviction assistance will help to ensure households have legal assistance and representation as they face eviction court proceedings.

- **Funding for crisis services and behavioral health treatment** (MOOL01.02). As we collectively and individually process the trauma we are enduring by living through a worldwide pandemic, we know that many Marylanders are struggling with their behavioral health. MDCEP supports the amendments that set aside additional funding for crisis services.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means and Economic Matters committees make a favorable report of House Bill 612, with the amendments outlined in the proceeding sections.

Equity Impact Analysis: House Bill 612

Bill summary

The RELIEF Act, as amended by the Senate, would provide economic relief payments to certain families with low incomes, expand disability assistance payments, provide utility assistance and eviction prevention, and increase resources for mental health care.

Background

The COVID-19 pandemic has cost thousands of Marylanders their jobs and created financial hardship across multiple domains of life. These hardships have been disproportionately borne by Marylanders of color and low-wage workers.

Equity Implications

- Assistance payments administered through EITC
 - Providing additional payments to EITC recipients would make our tax system more equitable. The lowest-income Marylanders now pay about 9.8 percent of their income in state and local taxes – a greater share of their income than the wealthiest 1 percent of Marylanders (those earning more than \$534,800 per year).³
 - Due to various structural barriers to opportunity, Black and Latinx workers are far more likely than white workers to earn poverty-level wages and are therefore more likely to qualify for the EITC. While state and federal EITCs serve a larger number of white households than households in any other racial or ethnic group, they serve a larger proportion of people of color.
 - EITCs also have a disproportionate impact in reducing poverty rates among households of color.⁴
 - House Bill 612 would provide a flat payment to workers eligible for the EITC rather than a percentage match on the tax credit. This approach enhances equity because it provides greater benefits to workers with very low incomes.
 - As currently structured, the EITC leaves out provides only minimal benefits to many Marylanders who face economic roadblocks built through inequitable policy choices, such as

many immigrant households and people who cannot work for pay because of a disability. Assistance payments based solely on the EITC will likewise bring them little or no benefit.

- Other provisions
 - Data from the U.S. Census Bureau consistently show that Marylanders with disabilities—especially those who are unable to work for pay because of a disability—are more likely to live on very low incomes and more likely to face financial hardships such as unaffordable housing costs.
 - Data from the Census Bureau’s Household Pulse Survey show that in mid-2020, renters of color overall and especially Black renters in Maryland were more likely to be behind on rent. More than one-third of Black renters and fully half of Latinx renters were not confident they could make their next rent payment. Adults living with children, workers with recent job loss or wage reductions, and families with low incomes were also more likely to be behind on rent and less likely to be confident they could make their next payment.
 - Four in ten Maryland workers who recently lost a job or saw their wages reduced experienced clinical anxiety symptoms on more than half of days or nearly every day. Amid racial stigma driven by false narratives about the coronavirus, four in ten Asian Marylanders had more days with significant anxiety symptoms than without. One in three white Marylanders never experienced anxiety symptoms, compared to only one in four Latinx Marylanders. Nearly 40 percent of men never experienced anxiety symptoms, compared to only 28 percent of women.

Impact

Several of the provisions in the RELIEF Act as introduced an included in Senate amendments would **improve racial, gender, disability, and economic equity** in Maryland.

¹ Mark Zandi, “An Analysis of the Obama Jobs Plan.” Moody’s Analytics, Sept. 9, 2011.

<https://www.economy.com/dismal/analysis/free/224641>

² Chuck Marr, “President-Elect’s Plan Includes Vital EITC Increase for Adults Not Raising Children,” Center on Budget and Policy Priorities, 2021, <https://www.cbpp.org/blog/president-elect-plan-includes-vital-eitc-increase-for-adults-not-raising-children>

³ Institute on Taxation and Economic Policy, “Who Pays? 6th Edition, State-by-state data,” Oct. 17, 2018,

<https://itep.org/whopays-map/>

⁴ Michael Leachman et. al. “Advancing Racial Equity With State Tax Policy,” Center on Budget and Policy Priorities, Nov. 15, 2018.

<https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>

