

SB 719 - Earned Income Tax Credit - Individuals Without Qualifying Children - Calculation and Refundability
Senate Budget and Taxation Committee

February 26th 2020

SUPPORT

Chairman Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to testify today in support of Senate Bill 719. SB 719 increases the value of Maryland's Earned Income Tax Credit (EITC).

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy.

Maryland is one of the 28 states that values their hard working, low income citizens by offering a state version of the EITC. This credit is one of the most powerful anti poverty tools utilized by federal, state, and local governments. It has shown to substantially benefit women and communities of color, and helps keep people engaged in the workforce. Unfortunately, the credit is currently targeted almost entirely at those with dependent children. Right now, many young workers are not eligible to receive the EITC or receive a very small credit, which means they are taxed further into poverty.¹ This year, we have the opportunity to make the EITC more valuable for low income workers in Maryland.

The proposed adjustments **increases the value of Maryland's EITC to match 100% of the federal EITC.**

This bill will provide a significant increase in the refund that single filers without dependents are eligible for. A more valuable Maryland EITC that better reaches young workers struggling on low wages could help them get a stronger foothold in the labor market as it did with single mothers leaving welfare in the 1990s. Research shows EITC refunds are typically spent locally – on groceries or transportation to and from work – benefiting our local economy. Additionally, for every dollar spent on the EITC, \$1.24 is returned to the local economy.²

By increasing the value of the EITC for single filers, Maryland has the opportunity to invest in Marylanders who need it most. Doing so would provide much-needed tax relief to a struggling demographic. The passage of SB 719, along with its companion bill SB 717, would reduce taxes for approximately 280,000 Marylanders, putting them on a path to long-term financial stability.

We urge a favorable report on SB 719 in order to reduce poverty, encourage work, and fuel Maryland's economy.



¹ <http://www.cbpp.org/research/lone-group-taxed-into-poverty-should-receive-a-larger-eitc>

² <https://www.economy.com/mark-zandi/documents/2012-02-07-JEC-Payroll-Tax.pdf>