

Berkowitz_FAV_SB 719

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LEAD  | LEGISLATIVE EDUCATION & ACTION DELIVERS

February 26, 2020

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Testimony in SUPPORT of Senate Bill 719

“Earned Income Tax Credit - Individuals Without Qualifying Children - Calculation and Refundability”

TO: Senator Guzzone, Chair, Senator Rosapepe, Vice Chair, and other members of the Budget and Taxation Committee

FROM: Allison Berkowitz, Legislative Director of LEAD (Legislative Education & Action Delivers)

As a social worker, I see people in their most desperate moments, and also get to see them rise to the occasion under the right circumstances. In a world and time like ours, when not everyone starts off on the same footing, it is the right and just thing to do, to help others. I’m writing today to testify in support of Senate Bill 719. About one in ten Marylanders live in poverty, and by expanding the EITC (Earned Income Tax Credit), we can give individuals a little lift to help get them on even footing.

Currently, young workers either can’t receive a credit or receive a very small amount. This expansion could make a big difference in a lot of Marylanders’ homes and equate to real, meaningful action, like keeping the lights on or food on the table. Additionally, studies show that the money brought into these people’s homes by receiving the credit would stay in the local economy, so by increasing this credit, we’re also helping local economies. It is with all this in mind that **I fervently support SB 719, and urge each of you to give it a favorable report.** Thank you.

MANO_FAV_SB 719

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Position: FAV

February 26, 2020

**Testimony on Senate Bill 719 – Support
*Earned Income Tax Credit – Individuals Without Qualifying Children –
Calculation and Refundability*
Budget and Taxation Committee**

Maryland Nonprofits urges you to support Senate Bill 719.

The Earned Income Tax Credit (EITC) is the largest and most effective anti-poverty tool for Maryland residents, helping more than 400,000 Marylanders make ends meet and putting millions of dollars into local communities. Unfortunately, the EITC still leaves behind many low-income workers who don't claim dependents on their taxes. Legislation under consideration this year would make our EITC as effective for these workers as it is for those raising children.

For EITC recipients with children, it makes sense to calculate the state credit as a percentage of the federal credit amount. However, in the case of qualifying recipients without children, the maximum federal credit is much smaller, only about \$500. This means that today the state credit for these individuals averages about only \$70.

Every dollar helps, but to help someone buy books for school, repair a car, pay utility bills, or meet other basic needs it makes sense to adjust our calculation of this credit. Senate Bill 719 would allow the state credit to match the federal, which averages about \$375, and would provide more meaningful assistance to these workers.

We urge you to give Senate Bill 719 a **Favorable Report**.

MDDCAFLCIO_FAV_SB719

Uploaded by: Edwards, Donna

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**SB 719 – Earned Income Tax Credit – Individuals without Qualifying Children –
Calculation and Refundability
Senate Budget and Taxation Committee
February 26, 2020**

SUPPORT

**Donna S. Edwards
President
Maryland State and DC AFL-CIO**

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of SB 719 – Earned Income Tax Credit – Individuals without Qualifying Children – Calculation and Refundability. My name is Donna S. Edwards and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of the 340,000 union members, I offer the following comments.

A large segment of Maryland's workforce struggles, day to day, to make ends meet. These are people with jobs with low pay and little to no benefits. We should be looking for ways to help these struggling Marylanders move up the income ladder, join the middle class, and get some breathing room to plan for their futures.

SB 719 increases, from 50% to 100%, the percentage of the federal credit that an individual without a qualifying child can claim. Moreover, the bill makes the credit full refundable, so these earners receive a refund check. This expansion puts more money directly into the pockets of low-income Marylanders, allowing them a little more flexibility in their spending

This expansion is good for every Marylander, because with more money available to spend, workers will spur consumer demand, helping Maryland's small businesses, as well as leading to more jobs. SB 719 is good for low-income workers, Maryland businesses, and our economy.

For these reasons, we urge a favorable report on SB 719.

CAB_FAV_SB 719

Uploaded by: Irwin, Laura

Position: FAV



Testimony in Support of SB719
Earned Income Tax Credit - Individuals Without Qualifying Children - Calculation and Refundability
Wednesday, February 26, 2020

TO: The Honorable Guy Guzzone, Chair, The Honorable Jim Rosapepe, Vice Chair, and Members of the Senate Budget and Taxation Committee

FROM: Laura E. Irwin, Chair, Montgomery County Community Action Board

The Montgomery County Community Action Board strongly supports SB719, which will increase the value of the refundable state Earned Income Tax Credit (EITC) to 100% of the federal EITC for single adults without dependents. As advocates for the low-income community, the EITC has been a longtime priority for the Community Action Board because research shows that it is one of the most effective anti-poverty tools available. By increasing the maximum amount of the Maryland EITC for single filers to \$529 and making it refundable, SB719 will help more lower-income workers in Maryland move towards self-sufficiency.

As the governing body for the Montgomery County Community Action Agency, the county's designated antipoverty entity, our Board is keenly aware of the impact of the EITC. The agency's Volunteer Income Tax Assistance (VITA) Program serves low-to-moderate income households with free tax preparation, linking County residents to the EITC and other tax credits. In tax year 2018, Community Action's VITA program served 2,200 households, helping these tax filers receive over \$5 million in tax refunds, including \$1.4 million in EITC. The EITC provides critical support, helping people put money into savings, pay bills, and pay off debts.

Increasing the value of the state's EITC for single filers will have an additional benefit for Montgomery County residents due to the County's Working Families Income Supplement, which matches the state's EITC. In an expensive area like Montgomery County where the Self-Sufficiency Standard for a single adult is \$37,807 (\$10,000 *more* than the County's minimum wage for large employers), increasing the Maryland EITC can have a profound impact.¹

We ask that you support Maryland workers by voting Yes on SB719, and that you continue to explore policies that effectively help lower-income people become self-sufficient.

¹ Self-Sufficiency Standard selfsufficiencystandard.org

MAP_FAV_SB 719

Uploaded by: Jefferson, Stacey

Position: FAV



Member Agencies:

Advocates for Children and Youth
Baltimore Jewish Council
Behavioral Health System Baltimore
CASH Campaign of Maryland
Catholic Charities
Episcopal Diocese of Maryland
Family League of Baltimore
Fuel Fund of Maryland
Health Care for the Homeless
Homeless Persons
Representation Project
Job Opportunities Task Force
League of Women Voters of Maryland
Loyola University Maryland
Maryland Catholic Conference
Maryland Center on Economic Policy
Maryland Community Action
Partnership
Maryland Family Network
Maryland Hunger Solutions
Paul's Place
Public Justice Center
St. Vincent de Paul of Baltimore
Welfare Advocates

Marylanders Against Poverty

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TESTIMONY IN SUPPORT OF SB 719

Earned Income Tax Credit - Individuals Without Qualifying Children - Calculation and Refundability

Senate Budget and Taxation Committee
February 26, 2020

Submitted by Stacey Jefferson and Margo Quinlan, Co-Chairs

Marylanders Against Poverty (MAP) supports SB 719, which expands Maryland's Earned Income Tax Credit (EITC) to match the federal EITC for single filers.

The Earned Income Tax Credit is a critical anti-poverty tool. The EITC helps low-wage workers in Maryland by reducing their tax burden, creating additional economic security for themselves, and strengthening low income workers connections to the workforce. The EITC helps people make ends meet and continue working despite low wages. EITC refunds are used to cover bills or afford things that could be difficult to afford at any other time. For example, people can use the credit to address health concerns. They can catch up on medical bills, make a health insurance payment, or cover the cost of a doctor appointment or medication.

The current structure of Maryland's EITC benefits families, but is not enough for many single filers not claiming dependents. Single filers not claiming dependents are a diverse group of individuals. They can be youth aging out foster care, young veterans, people transitioning out of homelessness, noncustodial parents, single men struggling to remain engaged in the workforce, and simply single people that are struggling to provide for themselves. These single filers are getting taxed into poverty. SB 719 addresses this issue by **increasing the value of Maryland's EITC to match 100% of the federal EITC for single filers without dependents.**

SB 719 would generate a higher refund for individuals working and living in poverty, bolstering the local economy. Currently, the average EITC refund for single workers is \$71. The proposed change would raise the average to \$375. This increase would offer low income individuals more opportunities to tackle debt, buy groceries, and cushion the cost of living for a moment. Furthermore, studies show that larger refunds are likely to be spent in the local economy to purchase necessities, pay off bills, and contribute to savings. Providing low income workers with more resources to survive, will have a positive ripple effect for all of Maryland.

MAP appreciates your consideration and urges a favorable report for support SB 719.

Marylanders Against Poverty (MAP) is a coalition of service providers, faith communities, and advocacy organizations advancing statewide public policies and programs necessary to alleviate the burdens faced by Marylanders living in or near poverty, and to address the underlying systemic causes of poverty.

CASH_FAV_SB 719

Uploaded by: McKinney, Robin

Position: FAV

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.

**MARYLAND'S EITC CAN DO MORE
FOR SINGLE WORKERS**

The average Maryland EITC for a single worker:



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>

MD Center on Economic Policy_FAV_SB719

Uploaded by: Schumitz, Kali

Position: FAV

FEBRUARY 26, 2020

Expanding Maryland's Earned Income Tax Credit Will Benefit Families and the Economy

Position Statement Supporting Senate Bill 619

Given before the Senate Budget and Taxation Committee

The Earned Income Tax Credit is a commonsense tax break that helps people who work but struggle to get by due to low wages and also boosts the economy. However, Maryland's credit isn't as effective as it could be for workers who aren't raising children. Increasing the value of the credit in Maryland would create greater economic stability for low-wage workers now largely left out of this effective anti-poverty tool while also supporting local businesses. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 619.

Research continues to show that the EITC is one of the most effective anti-poverty tools we have. Maryland's current EITC offers an essential hand up for thousands of working families but it is not as effective for thousands of other low-wage workers. Workers who don't have children and those who don't claim a child as a dependent on their taxes get a very small credit – an average of about \$90 – even if they have very low incomes. In fact, many people who work for very low wages go deeper into poverty because they don't qualify for a meaningful tax break.¹

Senate Bill 619 would help change that for more than 280,000 Marylanders who are now struggling to get by on low wages. They would receive an average tax credit of about \$370 – more than three times the average under current law – up to a maximum of \$520. This would place the credit more in line with what families that qualify for the EITC receive, helping low-income individuals pay for essential expenses like food, utilities or car repairs.

The federal EITC was highly successful in the 1990s at helping more single mothers start working and continue to work, and many researchers believe that expanding the credit would have a similarly positive effect for young men and women with lower levels of education, a segment of the population that is still seeing lower levels of employment, despite the overall low unemployment rate.² That's because the credit increases with each dollar people with very low incomes earn, up to a point, and then phases out when a worker reaches a modest income level.

Expanding the tax credit would also benefit Maryland businesses. Because EITC recipients have very low incomes, they are most likely to spend their tax refunds on basic necessities at businesses in their community. Every dollar invested in the EITC generates \$1.23 of economic activity, according to one estimate.³

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 619.

Equity Impact Analysis: Senate Bill 619

Bill summary

SB 619 increases the value of Maryland's Earned Income Tax Credit for workers who don't have children and non-custodial parents who aren't claiming dependents on their taxes by increasing the state credit to a 100% match of the federal credit for eligible filers. SB 619 does not alter the credit amount for filers claiming depending children.

Background

The refundable portion of Maryland's EITC is currently 28% of the federal credit. For people who qualify for the EITC and aren't claiming dependent children on their taxes, the maximum federal credit is \$529, and the average state EITC is \$89. If SB 619 is passed, the average state credit for workers without children is expected to increase to about \$370.

Equity Implications

- Expanding the EITC 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).⁴
- Especially if combined with House Bill 679, Senate Bill 619 would take a meaningful step towards correcting this imbalance.
- 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.⁵

Impact

Senate Bill 619 would likely **improve racial and economic equity** in Maryland.

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- ¹ Chuck Marr and Chy-Ching Huang, “Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty.” Center on Budget and Policy Priorities. February 20, 2015. <http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty>
- ² Chuck Marr et al. “EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds.” Center on Budget and Policy Priorities. October 1, 2015. <http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>
- ³ Mark Zandi, “An Analysis of the Obama Jobs Plan.” Moody’s Analytics, Sept. 9, 2011. <https://www.economy.com/dismal/analysis/free/224641>
- ⁴ Institute on Taxation and Economic Policy, “Who Pays? 6th Edition, State-by-state data,” Oct. 17, 2018, <https://itep.org/whopays-map/>
- ⁵ 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>

Estimated Combined District Level Impacts of House Bills 584 and 680

	<i>Current Law</i>		<i>Post-Expansion</i>		
District	EITC Returns No Children	Total MD EITC No Children	EITC Returns No Children	Total MD EITC No Children	
				Post- Expansion	Change
MD 01A	1,300	\$114,000	2,500	\$679,000	\$565,000
MD 01B	1,300	\$113,000	2,500	\$669,000	\$557,000
MD 01C	1,300	\$113,000	2,400	\$672,000	\$559,000
MD 02A	2,500	\$223,000	4,700	\$1.3 million	\$1.1 million
MD 02B	1,400	\$126,000	2,700	\$746,000	\$620,000
MD 03A	2,100	\$188,000	4,000	\$1.1 million	\$927,000
MD 03B	800	\$70,000	1,500	\$415,000	\$345,000
MD 04	2,400	\$209,000	4,500	\$1.2 million	\$1.0 million
MD 05	2,600	\$231,000	5,100	\$1.4 million	\$1.1 million
MD 06	4,100	\$378,000	7,800	\$2.2 million	\$1.9 million
MD 07	2,600	\$237,000	4,900	\$1.4 million	\$1.2 million
MD 08	3,500	\$321,000	6,600	\$1.9 million	\$1.6 million
MD 09A	1,200	\$106,000	2,300	\$629,000	\$523,000
MD 09B	700	\$61,000	1,300	\$363,000	\$302,000
MD 10	3,300	\$307,000	6,400	\$1.8 million	\$1.5 million
MD 11	2,500	\$225,000	4,700	\$1.3 million	\$1.1 million
MD 12	3,000	\$273,000	5,800	\$1.6 million	\$1.3 million
MD 13	2,600	\$236,000	5,000	\$1.4 million	\$1.2 million
MD 14	2,900	\$279,000	5,600	\$1.7 million	\$1.4 million
MD 15	2,300	\$209,000	4,300	\$1.2 million	\$1.0 million
MD 16	1,500	\$140,000	2,800	\$830,000	\$690,000
MD 17	3,200	\$293,000	6,100	\$1.7 million	\$1.4 million
MD 18	3,000	\$279,000	5,700	\$1.7 million	\$1.4 million
MD 19	3,700	\$353,000	7,100	\$2.1 million	\$1.7 million
MD 20	4,400	\$418,000	8,400	\$2.5 million	\$2.1 million
MD 21	3,300	\$308,000	6,300	\$1.8 million	\$1.5 million
MD 22	4,200	\$381,000	8,000	\$2.3 million	\$1.9 million
MD 23A	1,000	\$90,000	1,900	\$532,000	\$442,000
MD 23B	1,600	\$142,000	3,000	\$846,000	\$704,000
MD 24	3,300	\$296,000	6,300	\$1.8 million	\$1.5 million
MD 25	3,000	\$266,000	5,700	\$1.6 million	\$1.3 million
MD 26	3,100	\$286,000	6,000	\$1.7 million	\$1.4 million
MD 27A	900	\$76,000	1,700	\$454,000	\$378,000
MD 27B	700	\$62,000	1,400	\$370,000	\$308,000
MD 27C	900	\$78,000	1,700	\$464,000	\$386,000
MD 28	2,700	\$242,000	5,100	\$1.4 million	\$1.2 million
MD 29A	700	\$58,000	1,200	\$346,000	\$288,000
MD 29B	800	\$76,000	1,600	\$451,000	\$375,000

MD 29C	700	\$66,000	1,400	\$394,000	\$328,000
MD 30A	1,700	\$154,000	3,200	\$913,000	\$759,000
MD 30B	700	\$64,000	1,400	\$382,000	\$317,000
MD 31A	1,300	\$121,000	2,500	\$719,000	\$598,000
MD 31B	1,800	\$164,000	3,500	\$973,000	\$809,000
MD 32	3,100	\$280,000	5,900	\$1.7 million	\$1.4 million
MD 33	2,000	\$177,000	3,800	\$1.1 million	\$877,000
MD 34A	2,100	\$183,000	4,000	\$1.1 million	\$904,000
MD 34B	800	\$65,000	1,500	\$389,000	\$323,000
MD 35A	1,000	\$88,000	1,800	\$523,000	\$435,000
MD 35B	1,700	\$145,000	3,200	\$861,000	\$716,000
MD 36	2,700	\$244,000	5,300	\$1.4 million	\$1.2 million
MD 37A	1,500	\$137,000	2,900	\$816,000	\$679,000
MD 37B	2,400	\$222,000	4,600	\$1.3 million	\$1.1 million
MD 38A	1,400	\$126,000	2,700	\$749,000	\$623,000
MD 38B	1,700	\$150,000	3,300	\$890,000	\$740,000
MD 38C	1,400	\$118,000	2,600	\$701,000	\$583,000
MD 39	3,500	\$321,000	6,700	\$1.9 million	\$1.6 million
MD 40	4,200	\$381,000	8,100	\$2.3 million	\$1.9 million
MD 41	3,300	\$300,000	6,400	\$1.8 million	\$1.5 million
MD 42A	900	\$80,000	1,700	\$475,000	\$395,000
MD 42B	1,600	\$146,000	3,100	\$867,000	\$721,000
MD 43	3,700	\$322,000	7,000	\$1.9 million	\$1.6 million
MD 44A	1,400	\$127,000	2,700	\$757,000	\$629,000
MD 44B	2,200	\$203,000	4,200	\$1.2 million	\$1.0 million
MD 45	4,100	\$364,000	7,800	\$2.2 million	\$1.8 million
MD 46	3,700	\$337,000	7,100	\$2.0 million	\$1.7 million
MD 47A	2,900	\$264,000	5,500	\$1.6 million	\$1.3 million
MD 47B	1,400	\$126,000	2,600	\$746,000	\$620,000
Statewide	147,000	\$13.3 million	281,300	\$79.2 million	\$65.9 million

Maryland Catholic Conference_FAV_SB719

Uploaded by: Wallerstedt, Anne

Position: FAV



ARCHDIOCESE OF BALTIMORE † ARCHDIOCESE OF WASHINGTON † DIOCESE OF WILMINGTON

February 26, 2020

SB 719

Earned Income Tax Credit – Individuals Without Qualifying Children – Calculation and Refundability

Senate Budget and Taxation Committee

Position: Support

The Maryland Catholic Conference (“Conference”) represents the public policy interests of the three Roman Catholic (arch)dioceses serving Maryland: the Archdiocese of Baltimore, the Archdiocese of Washington, and the Diocese of Wilmington.

Currently, Maryland allows for a nonrefundable earned income tax credit of fifty percent of the federal Earned Income Tax Credit (EITC) or the individual’s state tax liability. However, if that tax credit brings the individual’s tax liability down to zero, the individual is only able to claim a refundable credit of twenty-eight percent of the federal EITC. Senate Bill 719 increases the value of the refundable state EITC to one hundred percent of the federal EITC.

The EITC is the most successful anti-poverty tool the state has. It has been proven to have a direct and immediate effect on hardworking individuals who simply cannot make ends meet. It provides a meaningful boost to low-income workers and families, enabling them to make necessary purchases and take care of basic needs. It also provides a pathway to financial stability; with more money coming back to the taxpayer, it can go into a myriad of different places to assist in being lifted out of poverty, including savings accounts and educational expenses. While the EITC does provide a direct and measurable benefit to individual Marylanders, it is also a boost to local economies, since every \$1 that is invested in the EITC generates \$1.24 for the economy.

The Conference appreciates your consideration and, for these reasons, respectfully requests a favorable report on Senate Bill 719.