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Expanding the Earned Income Tax Credit Will Benefit Maryland Workers and the Economy

Position Statement Supporting House Bill 679

Given before the House Ways and Means Committee

The Earned Income Tax Credit (EITC) 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 because the income cap for workers not raising children is too low. A slight increase in the maximum income to qualify for the EITC would create greater economic stability for low-wage workers now left out of this effective anti-poverty tool. For these reasons, the Maryland Center on Economic Policy supports House Bill 679.

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. For workers who don't have children and those who don't claim their child as a dependent on their taxes, once they earn just over \$15,500 per year, they are no longer eligible for the credit. That means someone working full time at Maryland's current minimum wage and not claiming dependents on their taxes would earn too much to qualify for the EITC, even though they are still earning too little to support themselves. In fact, many people who work for very low wages go deeper into poverty because they don't qualify for a meaningful tax break¹.

House Bill 679 would help change that for more than 134,000 Marylanders who are now struggling to get by on low wages. The bill would increase the maximum income for the state EITC to \$23,540 for single filers.

Expanding the tax credit also benefits 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.²

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 679.

Equity Impact Analysis: House Bill 679

Bill summary

HB 679 increases access to the Maryland Earned Income Tax Credit for workers who don't have children and non-custodial parents who aren't claiming dependents on their taxes. Currently, the credit is capped at adjusted gross income of \$15,570 for people without children. HB 679 would increase the cap to adjusted gross income of \$23,540, about 200% of the federal poverty level.

Background

The maximum income limits for receiving the EITC are significantly higher for families with children – between \$40,000 and \$50,000, depending on the number of children. HB 679 would bring the income limit for workers without children more in line with the limit for those raising children.

In 2018 the legislature removed the minimum age for receiving the EITC, allowing thousands of young low-income workers to qualify for the state EITC for the first time. Prior to 2018 the minimum age was 25.

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).³
- Especially if combined with House Bill 680, House Bill 679 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 color⁴.

Impact

House Bill 679 would likely **improve racial and economic equity** in Maryland.

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. Feb. 20, 2015. <http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty>

² Mark Zandi, “An Analysis of the Obama Jobs Plan.” Moody’s Analytics, Sept. 9, 2011.

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

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>

Estimated Combined District Level Impacts of House Bills 679 and 680

| District | Current Law | | Post-Expansion | | |
|----------|--------------------------|---------------------------|--------------------------|---------------------------|---------------|
| | 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 |