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MARYLAND SENATE BUDGET & TAXATION COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF SB0480: INCOME TAX DISTRIBUTION –
TAX CLINICS FOR LOW-INCOME MARYLANDERS
TUESDAY, FEBRUARY 2, 2021

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Chairman Guzzone and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 480.

My name is Janice Shih and I am the Director of the Low Income Taxpayer Clinic (LITC) at the Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteer lawyers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY20, MVLS volunteer and staff lawyers provided legal services to 4,459 people across the state. Through our LITC program, we encounter many clients who owe back taxes to the state of Maryland, resulting in consequences such as liens, levies, holds on driver's licenses, professional licenses, and vehicle registration. For the reasons explained below, MVLS respectfully requests the committee return a favorable report with verbal amendment on SB480.

There are three federally funded LITC programs in the state of Maryland: MVLS LITC, the University of Baltimore School of Law LITC and the University of Maryland Carey School of Law LITC. LITCs are funded to provide assistance to low-income taxpayers with federal tax issues. These clinics are allowed to assist low-income taxpayers with Maryland tax issues, but only if a federal tax issue already exists. Currently, there are no clinics funded to assist taxpayers with Maryland tax issues only. However, despite being unfunded, MVLS has made the financially difficult decision to provide this service to taxpayers with Maryland tax issues only. HB480 provides all three LITC programs with essential funding to ensure legal representation for assistance with Maryland tax matters. In addition, the verbal amendment offered at the hearing by Senator Zucker provides equal funding to all three programs.

Low-income Marylanders who have tax issues with the Maryland Comptroller face a bevy of consequences. Once a taxpayer owes a tax, the Comptroller adds penalties and an interest rate of 10%. This quickly escalates into an even larger sum owed, with taxpayers often feeling overwhelmed and unsure of how to even start to deal with the issue. Calls to the Maryland Comptroller involve long wait times, and responses are not always standardized, leading to more confusion. As with any issue, having legal representation to navigate through this system is crucial to a timely resolution.

As a taxpayer's balance grows, the state moves to put a lien for the balance due, or to levy wages. The lien becomes a public record, which can impact an individual's credit as well as ability to gain employment. Tax liens don't expire until 20 years

after the date taxes are assessed. A levy, or garnishment, can reduce already low wages, leaving an individual with insufficient income both for their daily necessities as well as for future owed taxes.

The cycle continues, when the taxpayer falls further behind on paying their taxes and the taxpayer sinks deeper and deeper into debt owed to the State that they can't pay.

When the balance is not paid, the state moves to put a flag or hold on the individual's driver's license, vehicle registration or professional license. In order to lift the hold, the taxpayer must pay at least 10% of the amount due, and enter into an installment agreement, which is often unsustainable. However, taxpayers agree to these plans, as they are desperate to get their license back to return to work. The taxpayer then defaults on their installment agreement, and their license may be flagged again – with the down payment now 20% for the hold to be lifted. Again, the taxpayer enters into an unsustainable installment agreement, promising anything just to be able to get their license back. This process leaves no path for a taxpayer to resolve the debt, and has a tremendous cost to Maryland's economy, when eligible employees can't obtain or sustain employment because of license suspensions.

Having legal representation to guide taxpayers is essential to resolving their tax issues. Resolutions such as hardship liability waivers, offers-in-compromise (OIC) and sustainable, affordable installment agreements are difficult to achieve on one's own. Most taxpayers do not even know that these options exist, much less know how to apply for them. Enabling an individual to resolve their tax debt gives them a path forward to sustainable employment and becoming a compliant taxpayer.

If passed with the proposed verbal amendment to equally divide funding to all three LITC programs, SB480 would allow a greater number of low-income taxpayers with Maryland issues to seek and receive this much needed assistance. Here are two examples of taxpayers who would not have been able to resolve their tax problems on their own.

1. Kevin had a long history of drug and alcohol abuse. Having graduated from a residential rehab program, Kevin was ready to move forward with his life with school and a new job. However, Kevin owed an outstanding tax balance to Maryland and there was a hold on his license, preventing him from obtaining his Commercial Driver's License (CDL). A MVLS volunteer helped Kevin obtain a Hardship Liability Waiver, allowing him to obtain his CDL. Kevin is now a licensed CDL driver, and is moving towards a sustainable payment plan with the State.
2. Cecilia and Bob were married for over 15 years when she discovered that he had accrued a large tax debt, partly from his business, and had involved her without her knowledge. Cecilia filed for bankruptcy and was released from the federal tax lien of \$126,643. However, her Maryland tax debt of \$16,139 was not discharged. A MVLS volunteer stepped in to assist Cecilia, by filing an appeal with Maryland to rescind the 2012 assessment, with over-payments of \$4,713.75 credited to Cecilia's account. The volunteer then worked with Cecilia to do an OIC to settle the rest of her liabilities.

MVLS has been fighting to even the playing field for low income Marylanders for decades, and we know that these members of our community face significant financial obstacles when trying to put their lives back on track. The need for representation is pressing, but legislation like SB480 with verbal amendment for equal funding for all three LITC programs in Maryland would lessen that burden.

Chairman Guzzone and members of the Committee, thank you again for the opportunity to testify.