



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 143
Maryland Child Tax Credit**

This bill would create a targeted tax credit to help low-income families who have children. It would supplement the federal Child Tax Credit to assist very low-income families who are currently excluded from that credit.

What is the Child Tax Credit?

The Child Tax Credit is a federal tax credit of \$2,000 per child under the age of 17.

The 2017 federal tax reforms made significant changes to the federal Child Tax Credit program that resulted in a regressive structure that hurts low- and moderate-income families.

Most notably, the federal tax credit excludes the lowest income families—those making less than \$2,500 per year—from receiving the tax credit at all. In addition, taxpayers whose children are not U.S. citizens are now excluded from the federal Child Tax Credit. Because of these provisions of federal law, 10% of children in the U.S. are not receiving any money from the Child Tax Credit.¹ Research shows that children of color and kids being raised by a single mother are disproportionately impacted.²

Childhood Poverty Hurts Kids and Our Economy

Too many children in Maryland are growing up in poverty. Even before the pandemic, thirteen percent of Maryland kids age 0 to 5 are from households living below the federal poverty line.³ (For a family of four, this equates to \$25,750 a year.) Because of

¹ “Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit,” 2019, Columbia University Center on Poverty and Social Policy.

² “Children Losing Out: The Geographic Distribution of the Federal Child Tax Credit,” 2019, Columbia University Center on Poverty and Social Policy.

³ “Harnessing State Child Tax Credits Will Dramatically Reduce Child Poverty,” 2019, Center for American Progress.

the pandemic, approximately one in three kids in Maryland live in a household that is either behind on their rent or mortgage or where there isn't enough food.⁴

Children who grow up in poverty experience lifelong disadvantages. "A wealth of evidence suggests that a lack of adequate family economic resources compromises children's ability to grow and achieve success in adulthood, hurting them and the broader society as well," according to a 2019 report from the non-partisan National Academy of Sciences.⁵

Among the negative impacts documented by researchers about children living in poverty are low birthrate, impaired physical health, and mental health problems. Negative effects continue into adulthood, including lower educational attainment; difficulty obtaining steady, well-paying employment; and a greater likelihood of risky behaviors, delinquency, and criminal behavior in adolescence and adulthood.⁵

The good news is that we can prevent many of these negative outcomes by helping families with children to rise out of poverty. For instance, one study found that boosting a low-income family's income by \$3,000 per year until a child's sixth birthday translates into a 17 percent average increase in adult earnings for that child.⁶ Other studies have found that monetary subsidies for low-income families improve children's educational achievement, the developmental progress of babies, and even increases their propensity as adults to vote.⁷ For these reasons, the National Academy of Sciences report recommended expanding the Child Tax Credit as a cornerstone of its plan to cut the child poverty rate in half in the United States.⁵

Maryland Child Tax Credit

This bill would create a state Child Tax Credit to benefit families that are excluded from the federal Child Tax Credit. A taxpayer with one or more dependent children that are age 0 to 5 or age 0-16 with a physical, intellectual, developmental, or emotional disability would qualify for the tax credit. This includes immigrants whose children do not have a valid Social Security number.

⁴ "Tracking the Recession's Effects on Food, Housing, and Employment Hardships." 2020, Center on Budget and Policy Priorities.

⁵ "A Roadmap to Reducing Child Poverty," 2019, National Academies of Sciences, Engineering, and Medicine.

⁶ "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, 2010, *Child Development* 81(1): 306-325.

⁷ <https://www.nytimes.com/2020/08/22/sunday-review/coronavirus-poverty-child-allowance.html>