



Testimony in SUPPORT for SB218
Income Tax - Child Tax Credit and Expansion of the Earned Income Tax Credit
House Ways and Means Committee

Pablo Blank, On Behalf of CASA

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Dear Honorable Chair Kaiser, Vice Chair Washington, and Members of the Ways and Means Committee,

CASA is pleased to offer favorable testimony in support of SB218, Income Tax - Child Tax Credit and Expansion of the Earned Income Tax Credit. CASA is the largest immigrant services and advocacy organization in Maryland, and in the Mid-Atlantic region, with a membership of over 100,000 Black and Latino immigrants and working families. This bill comes at a critical time for many struggling CASA members whom the pandemic has impacted.

Our offices provide various legal, health, employment, education, and social services, including free tax preparation services (through the IRS Volunteer Income Tax Assistance program (VITA)). Since the pandemic began, our offices significantly expanded our services to support Marylanders with emergency food delivery and pandemic resource support. We also launched a Solidarity fund to get direct cash assistance to our membership, as many of them are excluded from many forms of government relief.

The EITC combats poverty and helps to address racial disparities.

CASA's long history of providing services to immigrant taxpayers across the state makes us well aware of the potential the EITC can play in fighting poverty. Because of its design, the EITC helps address racial disparities in pay and support the economic security of low and moderate-income adults and their families, as many of the individuals who traditionally qualify are people of color.

However, recent tax policies furthered by the Trump administration such as the 2017 Tax Cut and Jobs Act¹ have widened wealth and racial disparities giving disproportionate tax breaks to high wealth households, including corporate, individual income, and estate tax rate reductions, while not providing comparable relief to low and moderate-income earners. Despite this, credits like the EITC have contributed to the drastic reduction of poverty nationwide. In 2018, the federal EITC lifted 5.6 million people out of poverty, including approximately 3 million children.² Unfortunately, taxpayers with ITIN numbers, despite their contributions in state and federal taxes, have never been able to benefit from the credit.

The recognition of the EITC as an anti-poverty tool in Maryland has been recognized by this body long before when it created a State match to the federal EITC. Recently, this body has expanded the eligibility

¹ <https://www.congress.gov/115/bills/hr1/BILLS-115hr1enr.pdf>

² <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit#:~:text=Reducing%20Poverty&text=In%20combination%20with%20the%20Child,with%20children%20out%20of%20poverty.&text=The%20EITC%20reduces%20poverty%20by%20workers%20and%20by%20rewarding%20work> .

of the Maryland EITC to a larger group, but a huge portion of families and kids living in poverty are still excluded. ITIN holders are hard-working people who pay taxes year after year, and their income falls into the EITC brackets, but they are being left out for the only reason that they fulfill their tax duties using an Individual Tax Identification Number instead of a Social Security Number.

This benefit will immediately help Maryland families to pay for immediate needs. Families will spend the EITC in local businesses, generating an immediate multiplier economic effect, growing the Maryland GDP and economy. The State and local government will also benefit as this will generate more revenue through sales taxes, reducing property tax delinquency, and more income tax to be collected in the coming years.

Taxpayers with ITINs contribute to the economy and pay significant state and federal taxes.

In contrast to the rhetoric used by those in opposition to the expansion of the EITC to ITIN filers, immigrants who file with ITINs make significant contributions to our economy and have consistently paid state and federal taxes. In Maryland, more than 86,000 ITIN filers filed state tax returns, paying more than \$100 million in state and local taxes, according to Maryland Comptroller data. Nationally, according to the IRS, in 2015, 4.4 million people paid \$23.6 billion in total taxes using an ITIN³.

Despite the massive contribution of ITIN filers, the average effective state and local tax rate of undocumented immigrants is 8%, compared to the 5.4% that the top one percent of all taxpayers pay in state and local taxes⁴.

Taxpayers with ITINs, and their families with SSNs, are ineligible for the EITC⁵.

As the committee is aware, SB218 takes the critical step of joining states like California and Colorado to expand the EITC to Maryland taxpayers with ITINs. Taxpayers paying their taxes using an ITIN, who are largely immigrants of color, are currently ineligible for the EITC - but it's not just them, it's their family members too. Even mixed-status families with a US Citizen child (with a parent filing with an ITIN) are ineligible to receive this essential economic assistance.

If a primary taxpayer, *spouse*, or both have ITINs, they are ineligible to receive the EITC, even if their dependents have valid SSNs. If the taxpayer and spouse, if filing jointly, have valid SSNs, only dependents with valid SSNs, not ITINs, qualify to receive the EITC⁶. This means that children born in the United States, with US citizenship - and in some cases US citizen spouses are eligible for this credit.

Several CASA members, many from mixed-status families, will testify before the committee in support of SB218 who will demonstrate how the exclusion of the EITC has affected their families.

Taxpayers with ITINs have been largely excluded from federal relief during the pandemic, making this reform even more pressing.

³ <https://www.americanimmigrationcouncil.org/research/facts-about-individual-taxpayer-identification-number-itin#:~:text=According%20to%20the%20IRS%2C%20in.and%20other%20taxpayers%20can%20receive>

⁴ <http://www.fiscalpolicy.org/wp-content/uploads/2015/04/ITEP-Undoc-Immigrants-State-and-Local-Taxes-2015.pdf>

⁵ <https://www.eitc.irs.gov/tax-preparer-toolkit/frequently-asked-questions/basic-qualifications/basic-qualifications-2>

⁶ <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/who-qualifies-for-the-earned-income-tax-credit-eitc>

Taxpayers with ITINs and their families have been largely excluded from several forms of federal relief, leaving them disproportionately impacted by the pandemic. Taxpayers with ITINs are both excluded from unemployment, despite many of them contributing to the fund through employer's withholding, and are ineligible for the Affordable Care Act leading to high rates of undocumented immigrants who are uninsured. Many CASA members were uninsured that had to pay up to \$1000 to be tested for the coronavirus during the early months of the pandemic.

Furthermore, ITIN holders were largely excluded from the federal CARES Act⁷. ITIN holders and their families were not eligible for the initial stimulus package that provided \$1200 per adult and up to \$600 per qualifying child. If just one person filed a tax return, filed with an ITIN, the entire household was ineligible. During the second stimulus package, many ITIN holders were still excluded. ITIN holders are also ineligible for other parts of the CARES Act, such as the Pandemic Unemployment System, the Short-Term Compensation Program, and other benefits.

With little relief, taxpayers with ITINs have struggled to survive during the pandemic and still, today, are forced to make choices between necessities. SB218 is an opportunity to address this disparity and take a significant step toward creating a more racially and economically equitable Maryland.

For the reasons outlined above, CASA urges a favorable report on SB218.

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⁷ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text?q=product+actualizaci%C3%B3n>