

HB 252_SB 369_Tax Preperation Assistance_MCAP Supp

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Position: FAV



3/28/2022

Re: Support of HB 252/SB 369 – Income Tax Return Preparation Assistance Program for Low-Income Families

Dear Honorable Chair Guzzone and Members of the Senate Budget and Taxation Committee,

I am writing on behalf of the Maryland Community Action Partnership (MCAP) to urge your support of HB 252/SB 369 – Income Tax Return Preparation Assistance Program for Low-Income Families.

The Maryland Community Action Partnership (MCAP) is a statewide non-profit organization comprised of Maryland's 17 Community Action Agencies, which collectively serve every Maryland county. Together, we work toward eradicating homelessness and poverty to realize our vision of ensuring that all Maryland individuals and families are stable, economically secure, and live in safe and thriving communities.

MCAP supports HB 252/SB 369 because of its effects on the individuals and families with low-income that our organizations serve.

If passed, the bill would:

- Ensure access to tax preparation assistance for individuals and families with low-income.
- Provide eligible taxpayers with prepared income tax returns and amended income tax returns by using data already collected by the Comptroller from reports from employers and other sources. This service would be provided without regard to filing status for the current taxable year and the three immediately preceding taxable years.
- Prohibit a tax collector from assessing a penalty to program participants, under certain circumstances, regarding any unpaid tax.

There has been a proven correlation between enabling access to tax credits through the provision of tax preparation assistance and reducing the impacts of poverty on individuals and families. By enhancing and simplifying access to tax preparation assistance for Marylanders with low-income, our state will be providing critical support toward the goal of helping our most vulnerable citizens to reach economic security.

If there is any additional information that I can provide for you as you consider this bill, I would be happy to help. You can contact me at amartin@maryland-cap.org, or by calling 205-757-0764.

Sincerely,

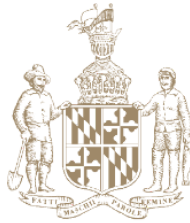
A handwritten signature in black ink, appearing to read "Angela Martin", with a stylized flourish at the end.

Angela Martin, Executive Director

Delegate Palakovich Carr HB 252 EITC Assistance Pr

Uploaded by: Julie Palakovich Carr

Position: FAV



THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 252 - Income Tax - Maryland Earned Income Tax Credit Assistance Program for Low-Income Families

This legislation aims to improve participation in the Earned Income Tax Credit by identifying eligible Marylanders who have not received the credit and sending them a simple form to claim their refund.

Eligible Marylanders Are Left Behind

The Earned Income Tax Credit (EITC) is considered to be America's largest and most successful anti-poverty program. However, 25% of Marylanders who are eligible for the EITC don't claim the credit—a number that has been increasing in recent years.¹ Moreover, Maryland fairs worse than the national average in terms of our EITC participation rate. This leaves an estimated \$304 million in federal credits unclaimed by Maryland taxpayers and in turn unspent in Maryland's economy.²

Given the economic and societal benefits of residents spending their refunds on rent, food, car repairs, and other goods and services,³ it is worthwhile for Maryland to increase the utilization of the EITC by eligible taxpayers.

Researchers have concluded that the following groups of people are less likely to claim and receive their EITC refund:⁴

- Self-employed
- Receiving disability income or have children with disabilities
- Without a qualifying child
- Living in rural areas
- Not proficient in English
- Grandparents raising grandchildren
- Recently divorced, unemployed, or experienced other changes to their marital, financial, or parental status.

¹ IRS and American Community Survey data.

² IRS return data, TY 2019.

<https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc>

³ "The Role of Earned Income Tax Credit in the Budgets of Low-Income Families." National Bureau of Economic Research, 2012.

⁴ U.S. House Committee on Budget,

<https://budget.house.gov/publications/opportunities-improve-earned-income-tax-credit>

Causes of Unclaimed EITC

There has been much research done by social scientists and economists to determine the root causes of people's failure to claim the EITC. Numerous studies and real world government programs have tested the idea that increased awareness or information about the EITC will help people claim it.⁵ These studies, however, have repeatedly found that reminders and information alone do not significantly get more people to file their taxes and/or claim the EITC.

Rather, there are more complex barriers that prevent low-income workers from claiming the credit. About two-thirds of EITC eligible taxpayers don't file income tax returns because they aren't required to due to their low income.⁶ For these residents to receive the EITC, they would need to file a tax return. The complexity and cost of filing a tax return using professional tax preparation services is perceived as too high of a barrier by these residents for simple outreach or information campaigns to work.

Instead, numerous academic studies have identified a much more successful approach: sending completed tax forms to residents who are likely to be eligible for the EITC.⁷ Much of the information needed to complete a tax return is already available to the IRS and Maryland Comptroller's Office, such as W-2 forms from employers.⁸ Using that information, the state could process a simplified claim form for EITC eligible residents.

Since 2007, New York City has run a program that uses data from the IRS to identify residents who are eligible for the EITC but didn't claim it in prior tax years. The city government completes a pre-filled out amended tax return and mails it to the identified residents, who simply have to review the amended return, sign it, and return it to receive their EITC refund. In the first two years of the program, more than 22,000 residents received EITC refunds totaling nearly \$13 million.⁹ The program was expanded statewide in New York in 2009.

⁵ "Can Nudges Increase Take-up of the EITC?: Evidence from Multiple Field Experiments" National Bureau of Economic Research, 2020; "Tax Benefit Complexity and Take-Up: Lessons from the Earned Income Tax Credit" Stanford Law, 2019; U.S. Treasury Inspector General for Tax Administration Office of Inspections and Evaluations Report 2018-IE-R004, 2018; "Reminders & Recidivism: Evidence from Tax Filing & EITC Participation among Low-Income Nonfilers," National Bureau of Economic Research, 2016.

⁶ "Earned Income Tax Credit Participation Rate for Tax Year 2005" IRS, 2009.

⁷ "States Can Adopt or Expand Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies" CBPP, 2021; "Strategies for Increasing Uptake of the Earned Income Tax Credit" Robertson et al, 2020; "The Earned Income and Child Tax Credits: The Federal Framework, Reform Efforts to Date, and Options for Future Change" Rockefeller Foundation, 2020; "Less Cheating? The Effects of Prefilled Forms on Compliance Behavior" Fochmann et al, 2018; "Prefilled Income Tax Returns and Tax Compliance: Evidence From a Natural Experiment" Kotakorpi and Laamanen, 2016; "Tax Systems" Slemrod & Gillitzer, 2013. "Using Technology to Simplify Individual Tax Filing" Bankman, 2008; "The Simple Return: Reducing America's Tax Burden Through Return-Free Filing" Goolsbee, 2006.

⁸ Comptroller also receives 1099-MISC, 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-NEC, 1099-R, 1099-S, and W-2G information returns from employers and through an agreement with the IRS, with ample data on interest, real estate sales, freelance wages, pensions, IRA distributions, rental income, farm income, gambling winnings, alimony, and other sources of income.

⁹ http://clkrep.lacity.org/online/docs/2009/09-2750_misc_11-17-09.pdf

Maryland Is Poised to Do This

In 2016, in response to directives from the General Assembly, Deputy Comptroller Sharonne R. Bonardi noted that the Comptroller's Office is well positioned to do targeted outreach to EITC non-claimants.¹⁰ "This Office, using its internal data scientists and with the assistance of external contractors, could supplement DHR's [Department of Human Resources'] active engagement by using the extensive taxpayer data located in its data warehouse in conjunction with data collected by other State and federal agencies to create various matching programs based on the EIC [Earned Income Tax Credit] non-participatory factors [. . .] Additionally, this Office could assist in the notification process with the case management system, which can communicate with individuals by mail in multiple languages."

In 2009, Maryland did a pilot version of the outreach proposed in this bill. The Comptroller's Office requested data from the IRS on Maryland residents who received the federal EITC but did not claim it on their state return that year. The IRS identified 5,353 potentially eligible Maryland taxpayers. The Comptroller's Office reviewed these returns and subsequently sent out 2,339 refund checks totalling \$572,746.¹¹

What This Bill Does

This bill would create the Maryland Earned Income Tax Credit Assistance Program to help low-income families more easily receive their EITC refunds. The program would be administered by the Comptroller's Office, which would identify Maryland residents who qualify for the EITC but who haven't claimed it. The Comptroller's Office will send those residents a simplified claim form. If the resident chooses to participate, they would complete the form and then receive their EITC refund.

¹⁰ http://dlslibrary.state.md.us/publications/JCR/2016/2016_30.pdf

¹¹ https://www.marylandtaxes.com/pros/revenews/files/2009_winter.pdf

HB 252_MD Center on Economic Policy_FAV.pdf

Uploaded by: Kali Schumitz

Position: FAV

Increasing Reach of Earned Income Tax Credit Will Benefit Maryland Families and our Economy

Position Statement Supporting House Bill 252

Given before the House Ways and Means Committee

The federal and state Earned Income Tax Credits (EITC) help hundreds of thousands of working Marylanders who struggle to get by due to low wages and also boost the economy. However, many eligible Marylanders don't receive the benefits of this effective anti-poverty tool even though they are eligible. **The Maryland Center on Economic Policy supports House Bill 252 because it provides a simple, innovative approach to ensure more eligible Marylanders receive the state EITC.**

Nearly 390,000 Maryland families received an income boost from the federal EITC last year. However, about 1 in 4 who are eligible don't receive it, according to IRS data¹. The number of eligible Marylanders who aren't receiving the credit has gradually increased over the last decade, suggesting that the current outreach, education, and free tax preparation services alone aren't enough. People with very low incomes often don't earn enough to be required to file a tax return every year and may not be aware that they are missing out on refundable credits.

HB 252 would require the Comptroller's office to use available income and tax data from the IRS and state tax systems to identify people who appear to be eligible for the EITC but either did not file a state tax return or did not claim the EITC on their state return. The office would then send a notification to those individuals, including a pre-filled out tax return or amended tax return form, so the recipient can simply review the information, sign, and return the documents. New York City has had a similar program since 2006, working in partnership with the IRS, that has helped residents access millions of dollars in federal, state, and city tax credits each year².

It's important to ensure all eligible Marylanders are receiving the EITC because it can have such a powerful impact on people's lives. Nationwide about 5.7 million people are lifted out of poverty each year because of the EITC.³ Research shows that reducing poverty through the EITC, especially for children, has significant long-term benefits, such as experiencing better health, doing better in school, and earning higher incomes later in life. It is also good for our economy, as families living paycheck-to-paycheck who receive the EITC are likely to spend their refunds on immediate needs like car repairs, clothing, or school supplies. Every dollar invested in the EITC generates \$1.23 of economic activity, according to one estimate.⁴

Further, this is a critical moment to take this approach because both Congress and the General Assembly passed legislation expanding the EITC in 2021, meaning many people are eligible to claim the credit for the first time and may not be aware of the recent changes. An outreach program that makes it simple for Marylanders to access this valuable credit would be a powerful tool for increasing economic security and access to opportunity.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 252.

Equity Impact Analysis: House Bill 252

Bill summary

House Bill 252 increases the power of Maryland's Earned Income Tax Credit by ensuring more people who are eligible for the credit receive it. It does this by creating a program in the Comptroller's Office to identify people who are likely eligible for the EITC but did not file a tax return or did not claim the EITC on their return and send prepared tax forms to those individuals to review, sign and return.

Background

About 1 in 4 Marylanders who were eligible for the federal EITC did not claim it in 2018, the most recent year for which IRS data are available. Maryland's EITC participation rate has been slowly declining, from nearly 80% in tax year 2011 to around 75% in tax years 2017 and 2018. Similar data are not available for the state level, but Maryland has taken positive steps to expand eligibility for the state EITC in recent years, meaning there are some people who can receive the state credit but not the federal one.

Equity Implications

- 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

House Bill 252 would likely **improve racial and economic equity** in Maryland.

¹ IRS, EITC Participation Rates By State For Tax Years 2011 through 2018." <https://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states>

² Testimony of Assistant Commissioner Sam Miller, New York City Department of Finance, on the Earned Income Tax Credit Mailing Project, November 2009. http://clkrep.lacity.org/online/docs/2009/09-2750_misc_11-17-09.pdf

³ Center on Budget and Policy Priorities, "The Earned Income Tax Credit: A Powerful Tool to Fight Poverty and Reward Work in Maryland," 2019. https://www.cbpp-multimedia.org/1-25-19tax/1-25-19tax_eitc_maryland_statewide.pdf

⁴ Mark Zandi, "An Analysis of the Obama Jobs Plan." Moody's Analytics, Sept. 9, 2011. <https://www.economy.com/dismal/analysis/free/224641>

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>

hb252, EITC-tax return, 3-29-22.pdf

Uploaded by: Lee Hudson

Position: FAV



Delaware-Maryland Synod
Evangelical Lutheran Church in America
God's work. Our hands.

Testimony Prepared for the
Budget and Taxation Committee
on
House Bill 252
March 29, 2022
Position: **Favorable**

Mr. Chairman and members of the Committee, thank you for the opportunity to testify about sufficient and sustainable livelihood. I am Lee Hudson, assistant to the bishop for public policy in the Delaware-Maryland Synod, Evangelical Lutheran Church in America, a faith community with three synods in every part of the State.

Our community teaches that adequate income, public support for sufficient livelihood, and appropriately progressive taxation are benchmarks for a just public policy ["Sufficient, Sustainable Livelihood for All," ELCA, 1999].

Our community has advocated for the Maryland Earned Income Tax Credit and various initiatives for its expansion. We therefore urge making those eligible aware of it. **House Bill 252** will provide an outreach instrument to the eligible by means of tax return preparation. This approach has worked well in Maryland for program notification of several State benefits.

There are still workers eligible for the EITC who don't receive it. The EITC is one of the most effective and efficient tools for raising income, lifting people out of poverty, and making work worth it. Traditionally, it has been a non-partisan consensus policy. Our community supports it at the federal level and across the states.

We want to encourage equity and sufficiency by capturing all the benefit and support available through the EITC for hard working, modest income Maryland households. We ask your favorable report.

Lee Hudson

HB0252 Testimony.docx.pdf

Uploaded by: Maryland Legislative Latino Caucus

Position: FAV



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TO: Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair
Budget and Taxation Committee Members
FROM: Maryland Legislative Latino Caucus (MLLC)
DATE: 03/29/2022
RE: HB0252 Return Preparation Assistance Program for Low-Income Families

The MLLC supports HB0252 Return Preparation Assistance Program for Low-Income Families

The MLLC is a bipartisan group of Senators and Delegates committed to supporting legislation that improves the lives of Latinos throughout our state. The MLLC is a crucial voice in the development of public policy that uplifts the Latino community and benefits the state of Maryland. Thank you for allowing us the opportunity to express our support of HB0252, Return Preparation Assistance Program for Low-Income Families.

The Earned Income Tax Credit (EITC) is considered to be America's largest and most successful anti-poverty program. In 2017, EITC helped lift about 5.7 million people – including about 3 million children – out of poverty. It also helps advance racial equity in the tax code. The EITC is particularly impactful for women of color. According to the Center for Budget and Policy Priorities, an estimated 21% of Latina women benefit from the EITC, more than double the rate for white women (9%). The EITC reduces poverty and increases income for working families, EITC has been linked to positive health outcomes, particularly for infants and mothers.^{1, 2-4} Studies show greater health improvements happen when larger, more generous EITC benefits are available.^{3, 5-6}

This bill establishes an Income Tax Return Preparation Assistance Program for Low-Income families that requires the Comptroller to prepare income tax returns and amended income tax returns for those eligible taxpayers. This would ensure that those residents would then receive their EITC refunds.

For these reasons, the MLLC respectfully requests a favorable report on HB0252.

1. Arno PS, Sohler N, Viola D, Schechter C. Bringing health and social policy together: the case of the earned income tax credit. *Journal of Public Health Policy* 2009;30(2):198–207.
2. Hoynes H, Miller D, Simon D. Income, the Earned Income Tax Credit, and Infant Health. *American Economic Journal: Economic Policy* 2015, 7(1):172-211. Accessed 2022 March 5.
3. Hamad R, Rehkopf DH. Poverty, pregnancy, and birth outcomes: a study of the earned income tax credit. *Paediatr Perinat Epidemiol* 2015;29(5):444–52.
4. Chetty R, Friedman JN, Rockoff JE. New evidence on the long-term impacts of tax credits. Washington, DC: Internal Revenue Service; 2011. Available from: [New Evidence on the Long-Term Impacts of Tax Credits](#). Accessed 2012 March 18.
5. Markowitz S, Komro K, Livingston M, et al. Effects of state-level Earned Income Tax Credit laws in the U.S. on maternal health behaviors and infant health outcomes. *Social Science & Medicine*, 2017;197:67-75.
6. Evans WN, Garthwaite CL. Giving mom a break: the impact of higher EITC payments on maternal health. Cambridge (MA): National Bureau of Economic Research; 2010.

HB 252-Income Tax - Maryland Earned Income Tax Cre

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Position: FAV



HB 252- Income Tax - Maryland Earned Income Tax Credit Assistance Program for Low-Income Families

Senate Budget and Taxation Committee

March 28, 2022

SUPPORT

Chair Guzzone, Vice-chair, and members of the committee, thank you for the opportunity to testify in support of House Bill 252. This bill will create the Maryland Earned Income Tax Credit Assistance Program for low-income families.

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. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Maryland is one of the 30 states that values their hard-working, low-income citizens by offering a state version of the Earned Income Tax Credit (EITC). This credit is known as one of the most powerful anti-poverty tools utilized by federal, state, and local governments. It has shown to substantially benefit women, communities of color, and low-income workers. Right now, low-income workers are fighting to gain or maintain financial security while being taxed further into poverty. Federal, state, and local governments have taken the initiative to strengthen the EITC and deliver additional aid to millions of low-income workers.

Fortunately, Maryland and the federal government have extended the eligibility and the overall worth of the EITC. For Maryland, this means that there was over \$260 million in additional EITC funds that went directly to low-income workers. Unfortunately, around 20% of EITC eligible Marylanders do not claim the credit. These households are missing out on funds that could lift them out of poverty and provide additional money for things like groceries, housing expenses, childcare, and other necessities. Now more than ever there is a demand for free tax preparation and many people have even been waitlisted. Long waitlists also result in households missing out on funds. An EITC assistance program for low-income families can help reach the most vulnerable families and ensure that families that missed out on the credit in past years are able to claim the credit.

It is important to increase EITC participation rates because the credit has many benefits for individuals and the economy:

- It provides a boost to low income working families which strengthens their connection to the workforce.
- It allows people to pay for transportation costs, secure childcare, or receive additional education or training.
- It creates financial security for these families by providing money for groceries, utilities, medical expenses, and emergencies. This creates a stronger economy. *For every dollar spent on the EITC, \$1.24 is returned to the local economy.*

HB 252 will help low income working families by requiring the Comptroller to identify residents who did not claim the EITC but were eligible and provide them with the appropriate forms to claim the state EITC.

For these reasons, we encourage a favorable report on HB 252.

Creating Assets, Savings and Hope

MAP_HB 252_Support_EITC.pdf

Uploaded by: Stacey Jefferson

Position: FAV



Member Agencies:

211 Maryland
Baltimore Jewish Council
Behavioral Health System Baltimore
CASH Campaign of Maryland
Energy Advocates
Episcopal Diocese of Maryland
Family League of Baltimore
Fuel Fund of Maryland
Job Opportunities Task Force
Laurel Advocacy & Referral Services, Inc.
League of Women Voters of Maryland
Loyola University Maryland
Maryland Center on Economic Policy
Maryland Community Action Partnership
Maryland Family Network
Maryland Food Bank
Maryland Hunger Solutions
Paul's Place
St. Vincent de Paul of Baltimore
Welfare Advocates

Marylanders Against Poverty

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TESTIMONY IN SUPPORT OF HB 252

Income Tax - Return Preparation Assistance Program for Low-Income Families

Senate Budget & Taxation Committee

March 29, 2022

Submitted by Julia Gross and Kali Schumitz, Co-Chairs

Marylanders Against Poverty (MAP) strongly supports HB 252, which will help ensure that low-income working Marylanders will claim the Earned Income Tax Credit (EITC).

Maryland is one of the 30 states that values their hard-working, low-income citizens by offering a state version of the Earned Income Tax Credit (EITC). The EITC is one of the most successful anti-poverty tools in Maryland. It has shown to disproportionately benefit women and communities of color, and helps keep young, single men engaged in the workforce.

The EITC puts money back into people's pockets and into the local economy. Research shows that tax refunds for low-to-moderate income families are used to pay for essentials like groceries, housing, and paying down debt.

Due to COVID-19, Maryland and the federal government has extended the eligibility and the worth of the EITC, meaning that was over \$260 million additional EITC dollars were available to directly to help low-income workers. Unfortunately, a little more than 20% of those who qualify for the EITC actually claim it.

A Return Preparation Assistance Program for Low-Income Families can help reach the most vulnerable families and better connect the program to those who qualify, making sure they get their full refund at tax time.

For these reasons, MAP appreciates your consideration and urges the committee to issue a favorable report for HB 252.

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.