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Senate Bill 404 - Working Marylanders Tax Relief Act of 2022

Senate Budget and Taxation Committee February 9, 2022

Keiffer J. Mitchell, Jr., Senior Counselor & Chief Legislative Officer, Office of the Governor
Kaitlin Marsden Sweetin, Deputy Legislative Officer, Office of the Governor
Marc L. Nicole, Deputy Secretary, Department of Budget & Management

Chair Guzzone, Vice-Chair Rosapepe, Members of the Senate Budget and Taxation Committee:

The Governor asks for your favorable report on Senate Bill 404 - Working Marylanders Tax Relief Act of 2022 which would make permanent the refundable enhanced earned income tax credit (EITC) passed as part of the bipartisan RELIEF Act in 2021.

The RELIEF Act of 2021 increased the refundable enhanced earned income tax credit (EITC) to 100% of the federal credit for workers without a qualifying child (capped at \$530) and 45% for other workers, however this relief is currently only temporary. Senate Bill 404 will make permanent the enhanced EITC and provide working Maryland families with \$650 million in cumulative tax relief.

The primary recipients of the EITC are hard-working low income families and individuals struggling to make ends meet. As one of the largest federal antipoverty programs, the EITC has been shown to improve infant and maternal health, school performance, college enrollment, and work and earnings of future generations. The Center on Budget and Policy Priorities estimates that in 2018, 10.6 million people and 5.5 million children were lifted out of poverty in the United States by the EITC.¹ No other tax or transfer program has prevented more children from living in poverty than the EITC and only Social Security benefits have kept more people out of poverty. The EITC is designed to reward hard-working Marylanders for joining the labor force and incentivizes lower-wage workers to increase work hours.

In Maryland most eligible taxpayers who file for a federal EITC can receive the state EITC. To be eligible for the federal and Maryland EITC, your federal adjusted gross income and your earned income must be less than the following:

- \$51,464 (\$57,414 married filing jointly) with three or more qualifying children
- \$47,915 (\$53,865 married filing jointly) with two qualifying children
- \$42,158 (\$48,108 married filing jointly) with one qualifying child
- \$21,430 (\$27,380 married filing jointly) with no qualifying children

One of the Governor's top priorities during this legislative session is to provide targeted financial relief to Maryland working families who are still feeling the lasting financial impacts of the COVID-19 pandemic. By passing this bill, Maryland can continue to lead the nation in both health and economic recovery while supporting the nearly 300,000 Marylanders who benefitted from the invaluable enhanced earned income tax credit in 2020.

For these reasons, the Administration respectfully requests a favorable report on Senate Bill 404.