



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 234
Unemployment Insurance – Notice of Earned Income Tax Credits for
Unemployment Insurance Claimants**

This bill aims to improve outreach to unemployed Marylanders about the Earned Income Tax Credit (EITC) by notifying unemployment recipients of their potential eligibility for the credit.

Background

The Earned Income Tax Credit (EITC) is designed to help low-income working people. The federal EITC is considered to be America's largest and most successful anti-poverty program—putting an average of \$2,339 in the pockets of a Maryland family that makes less than \$50,000 a year.¹ Due to the success of the federal EITC, Maryland and other states offer a state credit to supplement the federal credit.

Unfortunately, 25% of Maryland families who are eligible for the EITC don't claim the credit and this percentage has increased in recent years.² 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.³ This lack of awareness denies low-income Marylanders and their local economies millions of dollars in consumer spending power that would otherwise be spent on rent, food, car repairs, and other goods and services.

One group of people who are eligible for the EITC but who may not be claiming it are the unemployed. To receive the EITC, a person must earn some income in the tax year. By definition, someone who worked for part of the year and then was laid off would meet this eligibility criteria.

A cost-effective way to reach unemployed Marylanders about the EITC would be to include information on the annual 1099-G tax form sent by the Department of Labor to unemployment recipients. Form 1099-G informs each Marylander who receives unemployment benefits of the total unemployment benefits they received along with the amount that was withheld for federal

¹ IRS Statistics for Tax Returns with EITC, as of December 2020.

² IRS and American Community Survey data.

³ IRS return data, TY 2019.

and state taxes. Form 1099-G is issued in January of each year to every unemployment insurance recipient.⁴

A pilot program of this proposal has operated for several years. Maryland CASH Campaign has annually paid for envelope stuffers to include information about the EITC in the annual mailing of 1099-G forms.⁵ This mailing went to more than 220,000 Marylanders each year before the pandemic, many of whom would likely qualify for the EITC because of their reduced income.

Maryland shouldn't have to rely upon a non-profit to do this outreach, especially when many unemployment insurance recipients now receive their 1099-G form electronically via BEACON rather than through the mail. For that reason, the Department of Human Services is tasked with distributing information on the EITC through the Maryland Emergency Food Program.⁶

Other states have taken action. The State of New Jersey requires their Department of Labor to provide written notification about the EITC to unemployment recipients.⁷ Similarly, the State of California includes a language about the EITC directly on their 1099-G form. (See example form below.) Pennsylvania, North Carolina, and Connecticut also put information about the EITC on their 1099-G forms.

What This Bill Does

This legislation requires the Maryland Department of Labor to annually notify all unemployment insurance recipients about their potential eligibility for the EITC. This would happen concurrently with the annual issuance of 1099-G tax forms, which is done either electronically through BEACON or a physical mailing depending on the claimant's election. As most unemployed Marylanders have opted for electronic communications from Labor, the cost to the agency should be minimal.⁸

When writing and formatting the information, Labor would be required to consult with an entity that provides free tax preparation through the IRS VITA program and has experience in outreach to Marylanders about the EITC. An example of such an organization is CASH Campaign of Maryland.

This targeted outreach will help unemployed Marylanders to access EITC refunds.

⁴ 1099-G is also issued by the Comptroller's Office for other government payments, including tax refunds, taxable grants, and agriculture payments.


⁵ <https://www.dlr.state.md.us/employment/1099ginsert.shtml>

⁶ COMAR 07.01.20.01

⁷ N.J. Stat. § 43:21-4.2

⁸ Labor allows claimants to elect to receive their 1099-G via Beacon and per agency staff it is the preferred method of claimants. The Comptroller has also offered a paperless 1099-G option since 2012.

Example of California's outreach about the EITC to unemployment recipients.

 Employment Development Department State of California PO Box 826880, Sacramento, CA 94280-0001 OFFICIAL BUSINESS PENALTY FOR PRIVATE USE \$300		Important Tax Information - Keep for your records. *See Reverse Side for Easy Opening Instructions* You may qualify for the Earned Income Tax Credit (EITC) depending on your annual earnings. The EITC is a refundable federal income tax credit available to low to moderate income working individuals and families. The EITC has no effect on eligibility for Medicaid, Supplemental Security Income, food stamps, or most other temporary assistance for those in need. Even if you do not owe federal taxes, you must file a tax return to receive the EITC. For more information regarding your eligibility for the EITC, or to obtain the necessary forms to apply for this refundable tax credit, visit the Internal Revenue Service (IRS) website at www.irs.gov/eitc or contact the IRS by telephone.		PRESORTED FIRST-CLASS MAIL U.S. POSTAGE PAID SACRAMENTO, CA PERMIT NO. 800	
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COPY B FOR RECIPIENT		FORM 1099G CERTAIN GOVERNMENT PAYMENTS REPORT OF TAXABLE UNEMPLOYMENT COMPENSATION PAYMENTS FROM THE STATE OF CALIFORNIA		OMB NO. 1545-0120 2019 Form 1099G Rev. 36	
T A B L E A	Employment Development Department Unemployment Insurance Integrity and Accounting Division - MIC 16A P.O. Box 2408 Rancho Cordova, CA 95741-2408		Recipient's Name		Social Security Number
	Payer's Federal ID No. 94-2650401		2. State or Local Income Tax Refunds, Credits, or Offsets	3. Box 2 Amount is for Tax Year	4. Federal Income Tax Withheld
	1. Unemployment Compensation (UC)				
			Type of UC Payments	2019 Benefits Repaid (a) Prior Year(s) Benefits Repaid (b)	
This is important tax information and is being furnished to the Internal Revenue Service (IRS). If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.					

COPY B FOR RECIPIENT		FORM 1099G CERTAIN GOVERNMENT PAYMENTS REPORT OF TAXABLE UNEMPLOYMENT COMPENSATION-PAID FAMILY LEAVE PAYMENTS FROM THE STATE OF CALIFORNIA		OMB NO. 1545-0120 2019 Form 1099G Rev. 36	
T A B L E B	Employment Development Department Unemployment Insurance Integrity and Accounting Division - MIC 16A P.O. Box 2408 Rancho Cordova, CA 95741-2408		Recipient's Name		Social Security Number
	Payer's Federal ID No. 94-2650401		2. State or Local Income Tax Refunds, Credits, or Offsets	3. Box 2 Amount is for Tax Year	4. Federal Income Tax Withheld \$0.00
	1. Unemployment Compensation-Paid Family Leave (UC-PFL)				
			PFL Payments	2019 Benefits Repaid (a) Prior Year(s) Benefits Repaid (b)	
This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.					

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