



FEBRUARY 9, 2022

# Permanent EITC Expansion Must Not Exclude Families in Need From Vital Assistance

## Position Statement in Opposition to Senate Bill 404

### *Submitted to the Senate Budget and Taxation Committee*

Working family tax credits have been an extremely valuable tool for helping the tens of thousands of families across the state keep a roof over their heads and food on the table as Maryland and the nation grapple with the economic harms of the coronavirus pandemic. These credits help low- and moderate-income families make ends meet in better economic times as well, which has long-term benefits for communities and our economy, and Maryland should make the 2021 expansions of the state Earned Income Tax Credit (EITC) permanent. However, the Maryland Center on Economic Policy opposes Senate Bill 404 because it would take the credit away from thousands of low-income working Marylanders who are receiving it today.

The EITC is one of the most effective anti-poverty tools we have. The refundable federal tax credit along with Maryland's matching credit helps lift thousands of Marylanders out of poverty each year. Decades of research link the reduction in poverty because of the EITC and the federal Child Tax Credit to better health and educational outcomes for children, among other benefits.

However, prior to 2021, the state credit excluded immigrant taxpayers who would otherwise be eligible to receive the credit, based solely on their immigration status. About 45,000 additional Marylanders were able to receive the EITC last year because the General Assembly expanded eligibility to include all immigrant taxpayers, according to data from the comptroller's office. SB 404 would once again exclude these taxpayers from receiving the state EITC at all.

Maryland's EITC would be more effective in the long term if it were permanently expanded to reach those who are currently left out or receive a very minimal credit. This includes taking steps to increase the value of the credit, as SB 404 does; expand eligibility for workers who don't claim dependents on their taxes, and maintain eligibility for all immigrant taxpayers – two issues that SB 404 does not address.

Immigrant households are particularly vulnerable, as many have been excluded from most safety net and federal pandemic relief programs, despite the fact that they are more likely to have experienced economic hardship because of the pandemic. **In order to move forward, SB 404 should be amended to include all individuals and families who would eligible for the EITC based on their income, excluding other factors.**

In addition, the low upper income limits of EITC eligibility for workers not claiming children as dependents on their taxes (about \$16,000) means that many people who are getting by on very low wages do not receive the EITC. SB 404 should be further amended to increase the maximum income for workers not claiming dependents on their taxes so that they can also receive the EITC.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make an unfavorable report on SB 404, unless amended as outlined in the preceding sections.

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## **Equity Impact Analysis: Senate Bill 404**

### *Bill summary*

SB 404 permanently extends the 45% state match of the federal EITC for most recipients with children, and 100% (up to \$530) for those not claiming dependent children on their taxes. Without this legislation, the federal match for all would revert to 28% after 2022. It does not extend eligibility for immigrants who file taxes using an Individual Taxpayer Identification Number.

### *Background*

In 2020, the General Assembly expanded the EITC in two ways – increasing the value of the credit to as part of the RELIEF Act and extending eligibility for immigrant taxpayers as part of SB 218.

About 45,000 Marylanders who paid income taxes using an ITIN received the state EITC in tax year 2020, according to the Comptroller's office. People who file taxes using an ITIN represent a range of immigration statuses, including people who are in the immigration process but not yet approved for a Social Security Number, parents with U.S. citizen children, and people with certain temporary visas. It is common for households to have members with a mix of immigration statuses, and current federal rules around the EITC exclude the entire household if one person has an ITIN.

ITIN holders work and pay taxes – an estimated \$100 million per year in state and local income taxes alone – but are generally not eligible for economic assistance programs and tax credits.

### *Equity Implications*

While expanding the EITC generally benefits low-income households and disproportionately benefits households of color, SB 404 eliminates eligibility for the Earned Income Tax Credit for low-income immigrant taxpayers and therefore would likely disproportionately harm immigrant households of color.

- About 45,000 immigrant households received the EITC for the first time last year and would lose eligibility under SB 404
- SB 404 maintains increased benefits for families with the lowest incomes—who, because of historical and ongoing policies, are disproportionately made up of women and people of color—so the bill would extend greater benefits for these groups, except for immigrants who pay taxes with an ITIN.

- Permanently expanding the EITC for all current recipients would make our tax system more equitable. The lowest-income Marylanders now pay about 9.8 percent of their income in state and local taxes – a greater share of their income than the wealthiest 1 percent of Marylanders (those earning more than \$534,800 per year).<sup>1</sup>
- 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.<sup>2</sup>
- As currently structured, the EITC leaves out provides only minimal benefits to many Marylanders who face economic roadblocks built through inequitable policy choices, such as many immigrant households and people who cannot work for pay because of a disability.

### *Impact*

Because it excludes immigrant households who are currently eligible, SB 404 would likely **have a mixed impact on racial, gender, and economic equity** in Maryland.

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<sup>1</sup> Institute on Taxation and Economic Policy, “Who Pays? 6<sup>th</sup> Edition, State-by-state data,” Oct. 17, 2018, <https://itep.org/whopays-map/>

<sup>2</sup> 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>

**Estimated Combined District Level Impacts of House Bills 584 and 680**

District	Current Law		Post-Expansion		
	EITC Returns No Children	Total MD EITC No Children	EITC Returns No Children	Total MD EITC No Children	
				Post-Expansion	Change
MD 01A	1,300	\$114,000	2,500	\$679,000	\$565,000
MD 01B	1,300	\$113,000	2,500	\$669,000	\$557,000
MD 01C	1,300	\$113,000	2,400	\$672,000	\$559,000
MD 02A	2,500	\$223,000	4,700	\$1.3 million	\$1.1 million
MD 02B	1,400	\$126,000	2,700	\$746,000	\$620,000
MD 03A	2,100	\$188,000	4,000	\$1.1 million	\$927,000
MD 03B	800	\$70,000	1,500	\$415,000	\$345,000
MD 04	2,400	\$209,000	4,500	\$1.2 million	\$1.0 million
MD 05	2,600	\$231,000	5,100	\$1.4 million	\$1.1 million
MD 06	4,100	\$378,000	7,800	\$2.2 million	\$1.9 million
MD 07	2,600	\$237,000	4,900	\$1.4 million	\$1.2 million
MD 08	3,500	\$321,000	6,600	\$1.9 million	\$1.6 million
MD 09A	1,200	\$106,000	2,300	\$629,000	\$523,000
MD 09B	700	\$61,000	1,300	\$363,000	\$302,000
MD 10	3,300	\$307,000	6,400	\$1.8 million	\$1.5 million
MD 11	2,500	\$225,000	4,700	\$1.3 million	\$1.1 million
MD 12	3,000	\$273,000	5,800	\$1.6 million	\$1.3 million
MD 13	2,600	\$236,000	5,000	\$1.4 million	\$1.2 million
MD 14	2,900	\$279,000	5,600	\$1.7 million	\$1.4 million
MD 15	2,300	\$209,000	4,300	\$1.2 million	\$1.0 million
MD 16	1,500	\$140,000	2,800	\$830,000	\$690,000
MD 17	3,200	\$293,000	6,100	\$1.7 million	\$1.4 million
MD 18	3,000	\$279,000	5,700	\$1.7 million	\$1.4 million
MD 19	3,700	\$353,000	7,100	\$2.1 million	\$1.7 million
MD 20	4,400	\$418,000	8,400	\$2.5 million	\$2.1 million
MD 21	3,300	\$308,000	6,300	\$1.8 million	\$1.5 million
MD 22	4,200	\$381,000	8,000	\$2.3 million	\$1.9 million
MD 23A	1,000	\$90,000	1,900	\$532,000	\$442,000
MD 23B	1,600	\$142,000	3,000	\$846,000	\$704,000
MD 24	3,300	\$296,000	6,300	\$1.8 million	\$1.5 million
MD 25	3,000	\$266,000	5,700	\$1.6 million	\$1.3 million
MD 26	3,100	\$286,000	6,000	\$1.7 million	\$1.4 million
MD 27A	900	\$76,000	1,700	\$454,000	\$378,000
MD 27B	700	\$62,000	1,400	\$370,000	\$308,000
MD 27C	900	\$78,000	1,700	\$464,000	\$386,000
MD 28	2,700	\$242,000	5,100	\$1.4 million	\$1.2 million
MD 29A	700	\$58,000	1,200	\$346,000	\$288,000
MD 29B	800	\$76,000	1,600	\$451,000	\$375,000

MD 29C	700	\$66,000	1,400	\$394,000	\$328,000
MD 30A	1,700	\$154,000	3,200	\$913,000	\$759,000
MD 30B	700	\$64,000	1,400	\$382,000	\$317,000
MD 31A	1,300	\$121,000	2,500	\$719,000	\$598,000
MD 31B	1,800	\$164,000	3,500	\$973,000	\$809,000
MD 32	3,100	\$280,000	5,900	\$1.7 million	\$1.4 million
MD 33	2,000	\$177,000	3,800	\$1.1 million	\$877,000
MD 34A	2,100	\$183,000	4,000	\$1.1 million	\$904,000
MD 34B	800	\$65,000	1,500	\$389,000	\$323,000
MD 35A	1,000	\$88,000	1,800	\$523,000	\$435,000
MD 35B	1,700	\$145,000	3,200	\$861,000	\$716,000
MD 36	2,700	\$244,000	5,300	\$1.4 million	\$1.2 million
MD 37A	1,500	\$137,000	2,900	\$816,000	\$679,000
MD 37B	2,400	\$222,000	4,600	\$1.3 million	\$1.1 million
MD 38A	1,400	\$126,000	2,700	\$749,000	\$623,000
MD 38B	1,700	\$150,000	3,300	\$890,000	\$740,000
MD 38C	1,400	\$118,000	2,600	\$701,000	\$583,000
MD 39	3,500	\$321,000	6,700	\$1.9 million	\$1.6 million
MD 40	4,200	\$381,000	8,100	\$2.3 million	\$1.9 million
MD 41	3,300	\$300,000	6,400	\$1.8 million	\$1.5 million
MD 42A	900	\$80,000	1,700	\$475,000	\$395,000
MD 42B	1,600	\$146,000	3,100	\$867,000	\$721,000
MD 43	3,700	\$322,000	7,000	\$1.9 million	\$1.6 million
MD 44A	1,400	\$127,000	2,700	\$757,000	\$629,000
MD 44B	2,200	\$203,000	4,200	\$1.2 million	\$1.0 million
MD 45	4,100	\$364,000	7,800	\$2.2 million	\$1.8 million
MD 46	3,700	\$337,000	7,100	\$2.0 million	\$1.7 million
MD 47A	2,900	\$264,000	5,500	\$1.6 million	\$1.3 million
MD 47B	1,400	\$126,000	2,600	\$746,000	\$620,000
<b>Statewide</b>	<b>147,000</b>	<b>\$13.3 million</b>	<b>281,300</b>	<b>\$79.2 million</b>	<b>\$65.9 million</b>