

# **SB0243 Child and Dependent Care Tax Credit - Alter**

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Brooke E. Lierman  
Comptroller

## Testimony of Debora Gorman, Director, Legal Division

### Support - 2023 Senate Bill 243, Income Tax – Child and Dependent Care Tax Credit - Alterations

*Hearing: Wednesday, February 1, 2023  
Budget and Taxation*

Chairman Guzzone, Vice Chairman Rosapepe and members of the Committee, it is my pleasure to provide testimony in **support** of Senate Bill 243 – Income Tax – Child and Dependent Care Tax Credit - Alterations. I would like to thank Chairman Guzzone for sponsoring this bill.

This bill amends the Child and Dependent Care Tax Credit in TG § 13-716 to restrict it to Maryland residents only.

As currently written, the Maryland Child and Dependent Care Credit is available to individual and married filers earning no more than \$92,000 or \$143,000, respectively. The credit is the lesser of 32% of the federal child and dependent care credit or the State income tax. If the credit exceeds the State income tax, the excess is refundable if the individual or married couple's federal adjusted gross income does not exceed \$50,000 or \$75,000, respectively. The credit diminishes for each \$3,000 of income in excess of \$50,000. SB870 in the 2019 legislative session altered the eligibility for this credit, but also, notably, made the credit refundable.

Subsequent to those changes, the Comptroller's Office staff identified a scheme where nonresidents with zero Maryland income were filing nonresident returns and claiming a refund of the Child and Dependent Care credit. These nonresidents had \$0 Maryland tax liability, so the entire credit was refundable to these nonresident filers. This appeared to be an unintended result of the statutory language.

This bill closes the loophole to allow only Maryland residents to claim the credit. Closing this loophole will prevent money going to nonresidents with no ties to the State.

For these reasons, the Comptroller requests a favorable report on this bill.

As always, the Comptroller's Office is willing and available to answer any questions you may have at your convenience. Please contact Justin Hayes, Director of State Affairs at [jhayes@marylandtaxes.gov](mailto:jhayes@marylandtaxes.gov) or 410-260-7696.

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**SB243 Income Tax – Child and Dependent Care Tax Credit - Alterations**  
**FAVORABLE**  
**Senate Budget and Taxation Committee**  
**February 1, 2023**

Good afternoon Chair Guzzone and members of the Senate Budget and Taxation Committee. I am Karen Kalla, member of the AARP Maryland Executive Council and resident of Anne Arundel County. AARP MD and its members support SB243 Income Tax – Child and Dependent Care Tax Credit - Alterations. We thank you Senator Guzzone for sponsoring this important legislation.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

SB 243 provides for a Maryland resident taxpayer to claim a credit against the State income tax for expenses paid by the taxpayer during a taxable year for the care of a child under the age of 13 or a dependent of the taxpayer who is physically or mentally unable to care for themselves -and who has resided in the same abode for over one-half of the year. The bill describes the structure and parameters for the tax credit based on the taxpayers' Federal adjusted gross income not to exceed \$92,000 for an individual or \$143,000 for a married couple filing a joint income tax return. The bill includes a sliding scale reduction in the tax credit for individuals whose income exceeds \$30,000 and for married couples whose joint income exceeds \$50,000.

In 2021, Blue Cross Blue Shield estimated the total cost of uncompensated care by family caregivers to be \$470 million. This was calculated assuming that the 41 million caregivers provided an average of 16 hours of care per week at an average of about \$13.81 per hour. The average duration of care is 4.5 years, but 29 percent of caregivers have provided care for five or more years.

According to a 2020 national survey, 61 percent of family caregivers are women. The average age of caregivers is 49. About 54 percent of caregivers who provide care to a relative or friend are age 50 or older. Those most likely to provide care for five years or longer are caregivers age 50-64.

Family caregivers can incur high out-of-pocket costs for care. More than three out of four caregivers had out-of-pocket costs related to caregiving, spending on average, \$7,000 per year in 2016. On average, caregivers are spending nearly 20% of their income on caregiving activities.

The uncompensated hours that caregivers spend assisting those in need each day, often are on top of a full-time job and other personal and family responsibilities. *The financial costs frequently are out of the pockets of those with the least amount of expendable resources.* It is precisely these individuals for whom SB243 is designed.

It should be recognized that the caregivers' personal and financial expenditures are contributions that benefit not just the individuals receiving the care, but the communities in which they occur—communities whose well-being is inextricably linked to the health and financial security of their residents. By helping those in need of assistance in their homes, caregivers—most often those 50 years and older—also help reduce the need for expensive long-term care medical and other assisted living services.

While caregivers serve those in need out of love and commitment, the toll their commitment takes on both their own health and financial security can be high. For these reasons, AARP MD respectfully asks for the Committee to give SB243 a Favorable report. If you have any questions, please contact Tammy Bresnahan at [tbresnahan@aarp.org](mailto:tbresnahan@aarp.org). or by calling 410-302-8451.