

SB 661 - Unemployment Insurance – Tax Parity for D

Uploaded by: Donna Edwards

Position: FAV



MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

7 School Street • Annapolis, Maryland 21401-2096

Balto. (410) 269-1940 • Fax (410) 280-2956

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SB 661 - Unemployment Insurance – Tax Parity for Delayed Payments of Benefits Senate Budget and Taxation Committee

March 1, 2023

SUPPORT

Donna S. Edwards

President

Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of SB 661. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

Maryland passed the RELIEF Act in 2021, making state unemployment benefits received in tax year 2020 and 2021 exempt from state income taxes. Unfortunately, the number of unemployment claims filed during the height of the pandemic overwhelmed the system, resulting in long delays for workers to receive their benefits. Some workers who would have received their benefits in Tax Year 2021, did not receive their money until Tax Year 2022, making them ineligible for the tax benefits of the RELIEF Act. SB 661 fixes this problem by allowing the Comptroller's office to create a rebate program to refund money back to workers that would have been eligible for the RELIEF Act but received their payments late.

Over 45,000 workers received unemployment benefits in 2022 that they should have received in 2020 or 2021. Workers should not be penalized because of the delays it took them to receive their benefits. The pandemic exposed how Maryland's unemployment insurance system needed modernization.

We urge the committee to issue a favorable report for SB 661 in the name of fairness.

SB661 MSATP.pdf

Uploaded by: Giavante Hawkins

Position: FAV



10630 Little Patuxent Parkway
Suite 146
Columbia, MD 21044
1-800-922-9672
410-876-5998
FAX 443-881-4146
www.msatp.org

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Giavante' Hawkins
Executive Director

To: Budget and Taxation Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: SB661 By: The Speaker (By Request – Office of the Comptroller

Contact Person: Giavante Hawkins, Executive Director

Position: SUPPORT

Unemployment Insurance – Tax Parity for Delayed Payment of Benefits

The MD Society of Accounting and Tax Professionals has 2,000 CPA's and Professional Tax members, representing over 700,000 Maryland residents. The MD Society of Accounting and Tax Professionals supports bill SB661.

The purpose of the RELIEF Act was to provide economic relief to individuals and businesses affected by the COVID-19 pandemic. The delays at the MD Department of Labor were outside of the control of the individuals receiving unemployment benefits, and it is unfair to penalize these individuals by requiring them to pay taxes on benefits that were earned in a previous tax year but not received until the following year. Suppose these individuals who received unemployment benefits are required to pay taxes on those benefits for a tax year in which they did not receive the benefits. In that case, this could offset some or all of the relief provided by the act, particularly for individuals who were in dire financial straits due to the pandemic.

A rebate program to refund the taxes paid on unemployment benefits received in 2022 would bring these individuals into parity with other taxpayers whose benefits were both earned and paid during the time frame envisioned by the RELIEF Act. This would help to ensure that all individuals receiving unemployment benefits are treated fairly and receive the intended relief from the act.

We applaud the Maryland legislature for acknowledging how the above-referenced performance affected Maryland residents. While we believe the solution proposed herein does not make whole those who were adversely affected during a difficult time we find the proposed solution a creative way to attempt to right a wrong.

Therefore, we urge a FAVORABLE report on SB661

SB661_EconAction_FAV 2023.pdf

Uploaded by: Isadora Stern

Position: FAV



Testimony to the Senate Budget & Taxation Committee
SB661: Unemployment Insurance – Tax Parity for Delayed Payments of Benefits
Position: Favorable

March 1, 2023

Honorable Guy Guzzone, Chair
Senate Budget & Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401

cc: Members, Senate Budget & Taxation Committee

Honorable Chair Guzzone and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing in support of SB661. This is necessary and just legislation that will help alleviate the financial burden experienced by many workers who lost their jobs due to the COVID-19 pandemic. The recession induced by the COVID-19 Pandemic resulted in steep job loss, pushing the unemployment rate to a high of 14.7% in 2020.¹ This average was even higher for workers of color with highs above 16% for Black employees.² These high rates of unemployment underlined the significance and need for Unemployment Insurance. Under the CARES Act, passed in March 2020, millions of individuals became eligible to receive some form of unemployment insurance. However, the level of need for unemployment insurance crowded the underfunded and outdated state UI delivery systems. The exhaustive use of this safety net revealed administrative failures that slowed implementation of program expansions and kept many individuals waiting to receive their checks.³

The delayed payments of benefits have caused immense financial hardships for millions of Americans who were already struggling to make ends meet. The economic inequality and systemic inequity highlighted by the pandemic cannot be ignored, and action must be taken to address these issues. This legislation will help bridge the gap between those who have been able to collect their benefits and those who have not, and ensure that delayed payments do not result in an unfair tax burden.

Moreover, this legislation will promote economic equity by ensuring that delayed unemployment payments are not taxed at a higher rate than regular payments. This is a crucial step towards ensuring that workers who are already facing financial hardship are not further burdened by taxes they cannot afford. SB661 improves the unemployment system - making it more equitable and just for all Marylanders.

For all these reasons we support SB661 and urge a favorable report.

Best,

Isadora Stern
Policy Manager

¹ <https://www.bls.gov/>

² <https://www.bls.gov/opub/mlr/2022/article/us-labor-market-shows-improvement-in-2021-but-the-covid-19-pandemic-continues-to-weigh-on-the-economy.htm#:~:text=The%20recession%20induced%20by%20the,to%20leave%20the%20labor%20force.>

³ <https://bipartisanpolicy.org/blog/administrative-failures-plague-state-unemployment-insurance-programs/>

MSATP SB661.pdf

Uploaded by: Justin Hayes

Position: FAV



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Giavante' Hawkins
Executive Director

To: Budget and Tax Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc. SB661 By:

Re: The Speaker (By Request – Office of the Comptroller

Contact Person: Giavante Hawkins, Executive Director

Position: SUPPORT

Unemployment Insurance – Tax Parity for Delayed Payment of Benefits

The MD Society of Accounting and Tax Professionals has 2,000 CPA's and Professional Tax members, representing over 700,000 Maryland residents. The MD Society of Accounting and Tax Professionals supports bill HB708.

The purpose of the RELIEF Act was to provide economic relief to individuals and businesses affected by the COVID-19 pandemic. The delays at the MD Department of Labor were outside of the control of the individuals receiving unemployment benefits, and it is unfair to penalize these individuals by requiring them to pay taxes on benefits that were earned in a previous tax year but not received until the following year. Suppose these individuals who received unemployment benefits are required to pay taxes on those benefits for a tax year in which they did not receive the benefits. In that case, this could offset some or all of the relief provided by the act, particularly for individuals who were in dire financial straits due to the pandemic.

A rebate program to refund the taxes paid on unemployment benefits received in 2022 would bring these individuals into parity with other taxpayers whose benefits were both earned and paid during the time frame envisioned by the RELIEF Act. This would help to ensure that all individuals receiving unemployment benefits are treated fairly and receive the intended relief from the act.

We applaud the Maryland legislature for acknowledging how the above-referenced performance affected Maryland residents. While we believe the solution proposed herein does not make whole those who were adversely affected during a difficult time we find the proposed solution a creative way to attempt to right a wrong.

Therefore, we urge a FAVORABLE report on SB661

(2.28) SB 661 - Unemployment Insurance – Tax Parit

Uploaded by: Robin McKinney

Position: FAV



SB 661 - Unemployment Insurance – Tax Parity for Delayed Payments of Benefits
Senate Budget and Taxation Committee
March 1st, 2023
SUPPORT

Chairman Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 661. This bill will establish a rebate program to refund the taxes withheld from unemployment insurance (UI) payments received in 2022, as a result of cases being delayed during 2020/2021.

The CASH (Creating Assets, Savings and Hope) 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 (Internal Revenue Service) program 'VITA (Volunteer Income Tax Assistance)', 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.**

In 2021, the General Assembly passed the RELIEF Act, which was an emergency bill aimed at providing economic relief to Marylanders impacted by COVID-19. The bill, along with other things, exempted UI payments from state taxes for tax years 2020 and 2021. During the pandemic, the unemployment rate went up to 9.5% and the average unemployment rate for 2020 and 2021 was 6.5%. Thousands of people were affected by industries closing and the overall economic downturn. Due to those unprecedented times, Maryland Department of Labor (MDOL) was quickly inundated with many UI cases. As a result, thousands of individual cases were delayed, and consequentially thousands of people did not receive their 2020/2021 UI payment until 2022.

SB 661 would establish a rebate program that would refund the taxes withheld from those that had UI cases in 2020 and 2021 but received UI payments received in 2022. The rebate program would apply the RELIEF Act exemptions to payments that were originally intended to be paid in 2020/2021. This would ensure that recipients who UI benefits were delayed still have the same benefits as other recipients who were able to receive their UI benefits within the intended timeframe.

When the RELIEF Act of 2021 passed, it was unclear that UI cases would be delayed until 2022. Those late payments lead to nearly 40,000 Marylanders that received over \$10M in benefits during 2022 that were intended to be paid in 2020 or 2021. Now, UI recipients have lost out on funds due to the UI system being overburdened. Maryland can return the state taxes withheld from those payments and give those UI recipients the exemption they qualify for.

For these reasons, we encourage you to return a favorable report for SB 661.

Creating Assets, Savings and Hope

SB 661 UI Tax Parity for Delayed Payments of Benef

Uploaded by: Tammy Bresnahan

Position: FAV



One Park Place | Suite 475 | Annapolis, MD 21401-3475
1-866-542-8163 | Fax: 410-837-0269
aarp.org/md | md@aarp.org | twitter: @aarpmd
facebook.com/aarpmd

SB 661 Unemployment Insurance – Tax Parity for Delayed Payments of Benefits
Senate Budget and Taxation Committee
FAVORABLE
March 1, 2023

Good afternoon Chair Guzzone and members of the Senate Budget and Taxation Committee. I am Tammy Bresnahan, Senior Director of Advocacy for AARP MD. On behalf of our almost 900,000 members, we would like to thank you for the opportunity to speak in support of **SB 661 Unemployment Insurance -Tax parity for Delayed Payment of Benefits**. We thank the Comptroller for bringing SB 661 to the General Assembly.

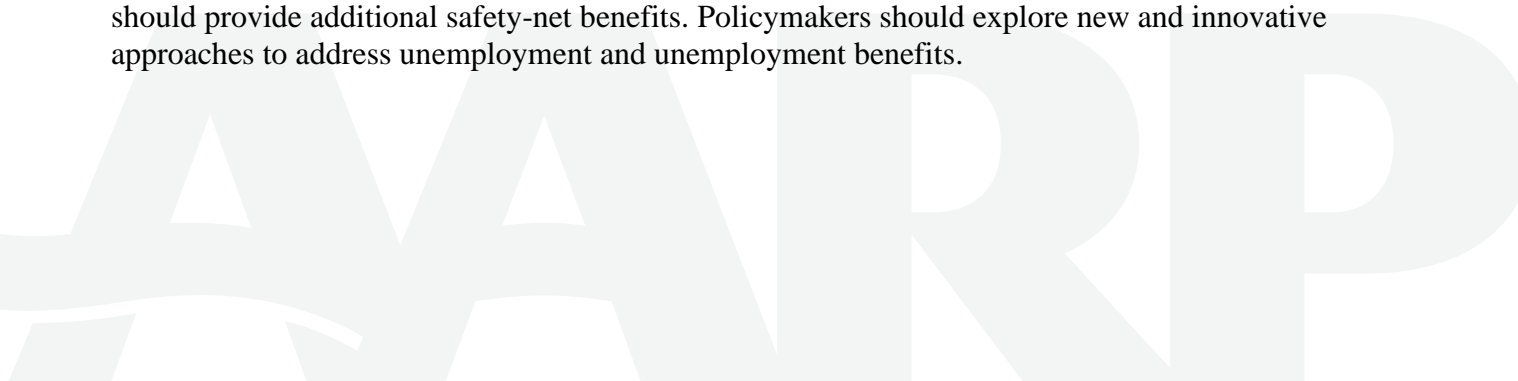
SB 661 establishes a rebate program to refund the taxes withheld from or paid as a result of unemployment insurance payments received in 2022 to bring the recipients into parity with other taxpayers whose benefits were both earned and paid during the timeframe envisioned by the RELIEF Act.

Currently, only one-third of people out of a job receive unemployment insurance. Benefit calculation formulas leave many people with only a small fraction of their previous earnings. Households with low incomes and low wealth were especially hard-hit by the pandemic. In addition, essential workers who are unable to work from home face heightened risk for contracting COVID-19. As you know at the beginning of the pandemic, Congress put in place enhanced unemployment benefits that substantially increased the benefits displaced workers could receive. These measures also extended unemployment benefits to independent contractors and others who previously did not qualify for unemployment. However, that program has now ended but those who were laid off still feel the residual effect of losing their job and an increase tax burden adds even more stress on families.

This is the first time in 50 years that older adults are experiencing higher unemployment than mid-career workers. And researchers don't think the higher rate is just the result of older people choosing not to work because they are worried about possible exposure to the coronavirus.

The job losses that older adults experienced during the pandemic could have dire consequences for their financial security during retirement, causing them to lose the opportunity to build savings right when they may have fewer years to recover that income.

AARP also believes that during economic recessions and recoveries, Congress and the states should provide additional safety-net benefits. Policymakers should explore new and innovative approaches to address unemployment and unemployment benefits.



AARP believes that states should adopt reforms that provide financial assistance to those who are or were unemployed during the pandemic and received unemployment. AARP believes that SB 661 does just that.

AARP respectfully asks the Committee for a favorable report on SB 661. If you have questions or need follow up, please contact me at tbresnahan@aarp.org or by calling 410-302-8451.