



MARYLAND  
LEGAL AID

Advancing  
Human Rights and  
Justice for All

**Senate Bill 552  
Family Prosperity Act of 2023  
In the Senate Budget and Taxation Committee  
Hearing on March 1, 2023  
Position: FAVORABLE**

*Maryland Legal Aid (MLA) submits its written and oral testimony on SB 552 in response to a request from Senator Nancy King.*

MLA supports SB 552 because it would increase the amount of the state child tax credit (CTC) and earned income tax credit (EITC), as well as increase the eligibility of those who qualify. This would provide much needed breathing room for Maryland's most vulnerable people and their families.

Under the American Rescue Plan Act, 2021 was a watershed tax year for the elimination of child poverty in the United States, primarily through the federal government's expansion of the EITC and the CTC. Washington widened the eligible age range for the EITC to include anyone older than 19 (18 for foster children) and increased the CTC from \$2,000 to \$3,000 for children ages 6-17 and \$3,600 for children younger than age 6. These expanded credits in combination with other relief efforts<sup>1</sup> drove the child poverty rate to a record low of 5.2 percent.<sup>2</sup> What's more, this legislation revealed the potential magnitude of the effect that tax credits may have in alleviating poverty and reducing the number of children living in poverty.

Unfortunately, on January 1, 2022, these hugely beneficial federal tax credits expired and reverted to pre-2021 status. The current version lacks the same monetary benefit and overall effect.<sup>3</sup> For example, under the current rendition of the federal child tax credit many families do not receive the full credit because their families' incomes are *too low*.<sup>1</sup> At nearly the same time that the federal credits expired, inflation hit its highest rate since the early 1980s, dealing a double blow to low-income taxpayers in Maryland and throughout the United States.

<sup>1</sup> Notably, the dependent care credit was also expanded, allowing low-income taxpayers with children to offset expensive child care costs.

<sup>2</sup> Child poverty, calculated by the Supplemental Poverty Measure (SPM), fell to its lowest recorded level in 2021, declining 46% from 9.7% in 2020 to 5.2% in 2021, according to U.S. Census Bureau data released today.

See: <https://www.census.gov/library/stories/2022/09/record-drop-in-child-poverty.html>, U.S. Census Bureau.

<sup>3</sup> The child tax credit was initially structured in the Taxpayer Relief Act of 1997 (P.L. 105-34) as a \$400 per child (\$500 per child beginning in 1999) nonrefundable credit to provide tax relief to middle- and upper-middle-income families. Since 1997, various laws have modified key parameters of the credit, expanding its availability to more families while also increasing its value. For a more detailed history, See: *The Child Tax Credit: Legislative History*, Congressional Research Service <https://crsreports.congress.gov/R45124>.

Commented [A1]: Let's use these acronyms throughout. The full names are mouthfuls!

---

SB 552 attempts to recapture the momentum gained in the fight for helping working families and eliminating child poverty by providing a measure of the relief that previously existed at the federal level. SB 552 would expand both the state CTC and state EITC to more taxpayers by increasing the adjusted gross income eligibility threshold for the state CTC from \$5,000.00 from \$15,000.00, making more taxpayers eligible for the credit. The state EITC would increase to 50% of the federal EITC or the taxpayers entire state income tax, whichever is lower, beginning in the 2023 tax year.

The federal and state EITC and CTC make a huge difference for low-income taxpayers. It is sometimes the largest single amount of money they receive all year. They use it to pay down debts, save for retirement, and buy essentials such as utilities, food, rent, and housing costs. Far too many MLA clients are living paycheck to paycheck, and one unforeseen expense, such as a car repair or medical issue, can push these homeowners and renters into foreclosure and eviction. An increased state CTC and EITC provides a critical cushion so that unforeseen expenses do not become financial nightmares.

MLA urges a favorable report on SB 5520 because it helps working families stay on their feet and makes sure that they don't fall off the cliff, especially in this time of high inflation, food insecurity, and rising medical costs. SB 552 provides critical state tax benefits in the absence of similar federal assistance. I thank you for your time and attention to this most urgent matter.

Respectfully Submitted,

Anthony Davis, Esq.  
Director of Advocacy for Consumer Law  
Maryland Legal Aid, Inc.  
500 E. Lexington Street  
Baltimore, Maryland 21202  
(410) 951-7703

---

<sup>1</sup> See: "Year-End Tax Policy Priority: Expand the Child Tax Credit for the 19 million Children Who Receive Less Than the Full Credit", Center on Budget and Policy Priorities, <https://www.cbpp.org/research/federal-tax/year-end-tax-policy-priority-expand-the-child-tax-credit-for-the-19-million>.