



## **SB 661 - Unemployment Insurance – Tax Parity for Delayed Payments of Benefits**

**Senate Budget and Taxation Committee**

**March 1<sup>st</sup>, 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*