



**Montgomery County Community Action Board Testimony in Support of SB552
Family Prosperity Act of 2023
March 1, 2023
SUPPORT**

TO: The Honorable Guy Guzzone, Chair; The Honorable Jim Rosapepe, Vice Chair; and Members of the Budget and Taxation Committee

FROM: Dr. Jeffery Johnson, Chair, Montgomery County Community Action Board

The Montgomery County Community Action Board, the County's local, state, and federally designated anti-poverty group, strongly supports SB552. The Family Prosperity Act will provide critical support to Maryland residents by making recent historic expansions to the Maryland Earned Income Tax Credit (EITC) permanent and expanding the state's Child Tax Credit.

The historic expansions of the Maryland EITC two years ago, allowing for a 45% match of the federal EITC for low income working families with dependents, a 100% match of the federal EITC for low-income single filers unable to claim dependents, and the inclusion of ITIN taxpayers, meant that more Maryland workers could not only receive this credit, but receive a larger amount, providing additional financial support to these households.

While SB552 represents a major step forward for working families, we urge the committee to consider an amendment to this bill or future legislation, to strengthen the EITC for workers not claiming dependents on their taxes. Currently, a worker without dependents, including non-custodial parents and young adults living independently, cannot receive the EITC if they earn more than about \$16,000 per year – significantly less than even the Maryland minimum wage. Raising the income limit for these taxpayers would therefore allow the EITC to help more residents who are struggling to make ends meet.

Our board has been a longtime advocate for the EITC because we know that it is one the best tools available to reduce poverty and help families meet the Self-Sufficiency Standard. Extensive research also links the EITC to numerous positive impacts well beyond the financial realm. These include reductions in health disparities¹ and improved educational outcomes for children². The EITC is also a racial equity tool as research has shown its greater impact on reducing poverty for households of color³.

¹ https://www.kellogg.northwestern.edu/faculty/garthwaite/htm/EITC_Health_Final_Draft.pdf and <http://ftp.iza.org/dp12417.pdf>

² https://www.nber.org/system/files/working_papers/w14599/w14599.pdf

³ <https://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-help-build-opportunity-for-people-of-color>

Expansions of the state EITC are particularly important in Montgomery County, where the County's Working Families Income Supplement (WFIS) is a 100% match of the state EITC. We are very fortunate to be one of just a handful of local jurisdictions across the country that supplements matching funds to the state credit. Passage of this bill will mean that Montgomery County residents can continue to receive larger refunds, helping families and individuals pay for necessities like food and housing. Furthermore, passage of this bill ensures that ITIN filers can continue to receive both the state and local credits.

The inclusion of ITIN taxpayers in the Maryland EITC has made a tremendous difference in the lives of these Marylanders who are not eligible for the federal EITC. The Montgomery County Community Action Agency oversees the County's Volunteer Income Tax Assistance (VITA) Partnership, and also hosts the County's only year-round free tax preparation VITA site. All VITA programs serve taxpayers filing with an ITIN and our own site assists residents applying for new and renewal ITINs. Serving this portion of the population, we know firsthand that ITIN taxpayers have greatly benefited from the state EITC and matching County Working Families Income Supplement, and we strongly encourage their continued eligibility for the credit.

The 2021 creation of the Maryland Child Tax Credit was an important step forward for the lowest income Maryland families. Passage of this bill will mean the permanent creation of a state CTC, extending eligibility to all children under 6 years old, increasing income eligibility to \$15,000 or less, and eliminating reducing the value of the credit by the amount of the federal CTC claimed. While the eligibility requirement for the CTC is still modest, those who receive this credit will benefit greatly from it, especially here in Montgomery County where child care is the most expensive in the state⁴, and nearly half of all renters in the County are cost-burdened, meaning that they spend 30% or more of income on housing alone.⁵

It is important to note that both the state EITC and CTC are especially significant in an area like Montgomery County, and so many parts of the state, where the cost of living is so high. According to the Maryland Community Action Partnership's most recent report, the Montgomery County Self-Sufficiency Standard for a household with two working adults, one preschooler, and one school-age child is an astounding \$122,943, over four times the federal poverty level.⁶ A tax refund of a few thousand dollars would have a significant impact on this family, helping them move closer to the Self-Sufficiency Standard.

The Family Prosperity Act takes an important step in making Maryland a more equitable place to live, and it places Maryland at the forefront of progressive states supporting lower-income workers. The Montgomery County Community Action Board strongly supports SB552 and asks for the Committee's favorable report.

⁴ https://www.marylandfamilynetwork.org/sites/default/files/2022-02/MFN_Demographics2022%20Final%20%281%29.pdf

⁵ <https://montgomeryplanning.org/wp-content/uploads/2020/07/MoCo-HNA-July-2020.pdf>

⁶ <https://maryland-cap.org/the-maryland-2023-self-sufficiency-standard-calculator/>