

HB0538_Kendra Brown_PDF.pdf

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**Testimony in Support of HB 0538 Tax – Subtraction Modification – Water
Affordability Assistance**

Given by: Kendra Brown

February 16, 2023

House Ways and Means Committee

I am Kendra Brown, Chair of the Maryland Advisory Committee to the U.S. Commission on Civil Rights. I am testifying today in support of HB 0538 Tax - Subtraction Modification - Water Affordability Assistance. Access to water is a fundamental human right and it is essential to sustaining life. Access to affordable water has never been more relevant than it is today.

Over the past decade, however, across the country the cost of water has risen at three times the rate of inflation, much faster than increases in income. As a consequence, the issue of water affordability is an issue not only in Maryland but also for the nation. As part of its responsibility to advise the Commission on civil rights, the Maryland Advisory Committee released the report on July 27, 2022 entitled: “Water Affordability in Maryland.”¹ Key points from the report are as follows:

- 1. Access to clean, affordable water is a fundamental human right recognized by the U.N. General Assembly in 2010.**
- 2. Despite this recognition, there are no state or national standards to guarantee affordable access to clean water.**
- 3. A decades-long decrease in federal funding has contributed to rising household water costs, while decreasing local and state revenues have led to declining infrastructure maintenance.**
- 4. Water assistance programs are inconsistently allocated throughout the state, and nearly exclusively focused on supporting owner occupants.**
- 5. The ongoing impact of historic racial segregation in housing has concentrated these concerns in low-income neighborhoods and communities of color.**

¹ Available at [md-sac-water-affordability.pdf \(usccr.gov\)](https://www.usccr.gov/sites/default/files/2022-08/md-sac-water-affordability.pdf).

6. Additional data on shutoffs, liens, and payment plans is needed for policy makers to document or remedy inequities.²

Despite these looming crises, Maryland has no uniform, statewide standards or programs governing water access and affordability. Some communities offer no assistance to low-income residents, some offer discounts to low-income seniors and people with disabilities, but any discounts are available only to owner-occupants. No state law or program mandates or provides water assistance to all residents who need it, whether they own or rent their homes.

In part, the variable array of water assistance programs reflects the state's patchwork system of providing water through an assortment of private, public, or private/public entities. Local rates can and do vary, as do policies regarding water shutoffs and other punitive practices. Some policy variation is necessary, since the water needs of rural communities can be very different than those of large cities, and each deserve water policies that address their unique concerns.

The bi-partisan Committee provided an assessment of the testimony received by the Committee over several briefings and set forth recommendations. I invite you to read the recommendations in the report but will highlight one of our key recommendations, which was that the U.S. Commission on Civil Rights send the report to the Maryland Governor and State Legislature and issue the following recommendations:

- 1. Public water providers in the state of Maryland should incorporate income-based rate structures.**
- 2. Public water providers in the state of Maryland should end the use of punitive practices, including, but not limited to, water shut-offs and tax liens.**
- 3. The state of Maryland should declare water assistance nontaxable income.**

The report addresses a wide range of concerns with the goal of addressing the policy gaps which threaten water access for vulnerable communities. We must all do our part to ensure access to affordable water is uninhibited as it is a fundamental human right and is vital to sustaining life.

² Available at [policy-brief-maryland.pdf \(usccr.gov\)](https://www.usccr.gov/policy-brief-maryland.pdf).

HB0538-Food_and_Water_Watch-Grant - Support.pdf

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HB0538 – Income Tax - Subtraction Modification - Water Affordability Assistance
February 16, 2023
Ways & Means Committee

FAVORABLE

On behalf of Food & Water Watch and our 44,000 supporters in Maryland, **I strongly urge a favorable report on HB 538.** This legislation will allow water affordability assistance to be subtracted from gross income for state income taxes purposes. Water bill assistance to low-income households is clearly in the nature of relief to promote the general welfare and should not be includible in gross income for tax purposes.

HB 538 will enable equitable access to water affordability assistance to tenants in multifamily homes.

Tenants in multifamily units rarely have access to low-income water assistance because they share a centralized water meter and are not individual direct customers of a water utility. Baltimore City has designed an equitable solution for this problem through its Water4All program, the comprehensive income-based water affordability program launched last year. Baltimore City provides affordability assistance directly to tenants in multifamily units on prepaid cards to offset their water costs paid to landlords. Unfortunately, the city has warned that the assistance could count as income and is requiring W9s from tenants to access the low-income water affordability program.

HB 538 will help ensure that water affordability assistance doesn't cause harm to low-income tenants.

Counting water affordability assistance as income can have cascading impacts on a low-income household, potentially jeopardizing their access to other income-qualified assistance programs. It could move them above the income thresholds and disqualify them from subsidized housing, SNAP, social security, or disability benefits. This is simply unacceptable.

HB 358 will allow Baltimore City to expand water affordability assistance to hundreds, if not

thousands, of tenant households. As of February 1, 2023, there are 64 tenant households who have been unable to access water assistance from Baltimore Water4All Program because of invalid W9s, and many more were denied access to the program because they refused to submit a W9.



The Maryland Advisory Committee to the U.S. Commission on Civil Rights similarly has recommended this action: "The state of Maryland should declare water assistance nontaxable income."

I strongly urge you to give a favorable report on HB 538 to help ensure equitable access to water assistance for all Marylanders.

Thank you for your time and consideration,

Mary Grant

Public Water for All Campaign Director

Food & Water Watch

Eckel - HB538 - MVLS - FAV.pdf

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MARYLAND HOUSE WAYS AND MEANS COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF HB00538: INCOME TAX-SUBTRACTION
MODIFICATION –
WATER AFFORDABILITY ASSISTANCE
THURSDAY, FEBRUARY 16, 2023

My name is Rianna Eckel and I am a Baltimore Water Outreach Coordinator with Maryland Volunteer Lawyers Service (MVLS), and the convener of the Baltimore Right to Water Coalition. I have been working on water justice in Baltimore in various capacities for nearly seven years.

MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY22, MVLS volunteers and staff lawyers provided legal services to 3,458 people across the state.

MVLS first became involved with helping clients with their water bill issues through our work in tax sale and housing. As part of our housing work, we see tenants facing eviction over unaffordable water bills. HB0538 will ensure that tenants are able access water affordability assistance without unintended consequences.

When the Baltimore Right to Water Coalition was writing the Water Accountability & Equity Act, passed by the Baltimore City Council in 2019, it was important to us that tenants be able to access the Water4All affordability program. Until the launch of the program, tenants, who make up 53% of Baltimore City, were not able to access any water billing assistance or information about their account, even if they were responsible for paying the bill and could be evicted for nonpayment. For homeowners, the Water4All credit will be applied directly to their water bills. The tenant advocates in the coalition wanted to ensure that tenants would be the ones seeing the benefit from Water4All, and that landlords would not be able to pocket the credits without passing on the savings, so it was written that tenants would get direct payments from the city for their Water4All credits. These direct payments are being issued on loaded debit cards via a vendor, Edquity.

In trying to ensure that tenants receive the most benefit from Water4All, an unanticipated externality came up, as the payments will be counted as taxable income. To get the credit, tenants will have to fill out a W9 form, and will be issued a 1099 for their "independent contracting work" with the city - just to make their water bills affordable.

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Maryland Volunteer Lawyers Service (MVLS) removes barriers to justice through free civil legal help, community engagement, and advocacy for equitable laws. Our vision is for a fair legal system that is free of injustice and equitably serves underrepresented Marylanders.

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It's fundamentally wrong that someone would have to pay taxes on money provided to make their water bill affordable. Having this assistance count as income will inevitably make filing taxes much more complicated, and could even push people over the income thresholds for other assistance programs. Ensuring that water affordability credits do not count as taxable income is an economic justice and racial justice issue. Generally, tenants are more likely to be lower wealth and more financially destabilized than homeowners. Additionally, Black and Brown Baltimoreans are more likely to be renters. Many more Black and Brown city residents are shut out of homeownership. When compared with white residents, Black residents are 33% more likely to be renter than a homeowner, and Brown residents are 50% more likely to be a renter than white Baltimoreans.

Nearly a year after the launch of the Water4All program, we are seeing the impacts of this in the enrollment numbers. 53% of Baltimore's residents are tenants, yet they are staggeringly underrepresented in the new Water4All program. As of February 1st, the Baltimore City Department of Public Works has received 3,630 applicants for the Water4All program from homeowners, but only 2,090 from tenants. While there are likely many reasons for this under enrollment it is likely that the explanation of why tenants should submit a W9 on the FAQs page plays a substantial role in this.

In addition to low enrollment, we have heard from our partners at the Baltimore City Department of Public Works that many tenants who have gone through the application process and been approved have actually decided to decline enrollment in the program once asked for a W9 because they do not want to deal with the many ramifications of having this needed affordability assistance count as taxable income.

This means that tenants who need help with affording their water bills are not able to get it. Additionally, the Water4All program was designed to keep water bills permanently affordable for low-wealth families, having the affordability credit taxed as income defeats the very purpose of the program.

While this is currently only a concern for Baltimore's Water4All program, it is inevitable that this will become important in other jurisdictions as our national water affordability crisis deepens. Federal funding for our water systems has been gutted, and while the current administration is making investments, it is not nearly enough. At the same time, our water infrastructure is crumbling. These colliding crises will make water more expensive, as major repairs are needed and ratepayer payments are the primary means of paying for them. The need for meaningful water affordability solutions will only grow,



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EXECUTIVE DIRECTOR and the state must take action to ensure renters receive the true benefits these programs entails.

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PRESIDENT MVLS has been fighting to even the playing field for low-income Marylanders for decades, and we know that low-wealth tenants Marylanders are most often left behind without an advocate. This imbalance of power makes it more likely that our clients will continue to struggle financially, or face eviction over water bills. For all of the reasons stated, we support HB0538 which will clarify that water affordability assistance is not taxable income and consequently, we urge a favorable report.

David G. Sommer
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Chair and members of the Committee, thank you again for the opportunity to testify.

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HB0538 — Income Tax — Subtraction Modification — Water Affordability Assistance

Hearing before the House Ways and Means Committee, February 16, 2023

Position: SUPPORT (FAV)

Low-income renters are frequently burdened by unaffordable and fluctuating water bills. Public Justice Center has assisted renters who are facing eviction as a result of unaffordable water bills. While non-rent charges typically cannot be sought as a basis for eviction in Failure to Pay Rent court, landlords can apply payments that a renter thought would go toward rent toward water bills instead. These water bills thus leave renters with rent arrears that result in the renter losing their housing altogether.

This problem is exacerbated by the often widely-fluctuating nature of water bills, making it more difficult for renters to plan ahead and avoid falling short. For example, Public Justice Center worked with a renter who experienced a sudden 300 percent increase in her water bill. Her water consumption had not changed, but she learned that the increase correlated with new management adopting a new method of dividing water usage among the many units in the apartment building. The unexpected cost made her unable to make her full rent payment that month, and her landlord sought an eviction against her.

The problem of water affordability is widespread. In the last two decades, water prices in Baltimore City have risen 500 percent. By 2019, more than half of Baltimore City residents could not afford their water bill, and the problem is particularly concentrated in low-income, predominantly-Black neighborhoods. Access to water is therefore a problem of housing security, race equity, and public health in Baltimore City.

Low-income tenants often rely on multiple subsidies in order to remain housed and support themselves and their families. No one should have to choose between affording water and meeting other basic needs. HB0538 is an important step toward water equity in Baltimore City. Public Justice Center asks that the Committee issue a report of FAVORABLE on HB0538. If you have any questions, please contact: Samantha Gowing, gowings@publicjustice.org, 410-625-9409, ext. 273.

HB 538 - Water Tax - Love Wttn.pdf

Uploaded by: Sara Love

Position: FAV



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**HB 538 - Income Tax –
Subtraction Modification – Water Affordability Assistance**

Background

Across the United States, the cost of water has increased at three times the rate of inflation over the past decade, faster than increases in income.¹ As a result, water is becoming increasingly unaffordable for US residents. Increased water costs are generally attributable to rising infrastructure improvement costs for utility companies, a significant decrease in federal investment, and increasing frequency of extreme weather events that contribute to flooding and infrastructure stress.² Because of the high costs of repairs, water companies have put off replacing degrading infrastructure for many years, and because of the decreased federal support of the years, local water companies now shoulder a greater share of infrastructure maintenance, repair, and replacement costs. These costs are passed on to consumers, leading to higher household water rates.

Water services in Maryland are generally provided in three ways: (1) by municipal government authorities or the Washington Suburban Sanitation Commission (WSSC), a quasi-governmental Commission providing water to residents of Prince George’s and Montgomery counties, (2) by privately-owned utility providers, or (3) through well systems. Privately-owned utility companies are regulated by the Maryland Public Services Commission Water Division (PSC), while municipal authorities and the WSSC are not subject to PSC regulations. Privately-owned companies make up a small fraction of water utilities in the state, servicing approximately 11,000 residents, primarily in rural and suburban parts of the state. These privately-owned companies operate 22 water and water/sewage systems in Maryland, all of which are regulated by PSC. PSC oversees the infrastructure, rates, management, and billing for water systems in its jurisdiction. The primary providers of water in the state – municipal governments and the WSSC—however, are not subject to such state regulation and generally have the authority to oversee the supply, infrastructure, customer care, and rates of their own water systems, subject only to a broad “reasonableness” requirement.

¹ David Harrison, *Why Your Water Bill is Rising Much Faster than Inflation*, WALL ST. J. (Mar. 15, 2018), <https://www.wsj.com/articles/who-is-paying-to-fix-outdated-water-and-sewer-systems-you-are-1521106201>.

² See American Water Works Association, BURIED NO LONGER: CONFRONTING AMERICA’S WATER INFRASTRUCTURE CHALLENGE (2020), <http://www.climateneeds.umd.edu/reports/American-Water-Works.pdf>; see also KAVITA HEYN & WHITNEY WINSOR, PORTLAND WATER BUREAU, CLIMATE RISKS TO WATER UTILITY BUILT ASSETS AND INFRASTRUCTURE, Sept. 30, 2015, <https://www.wucaonline.org/assets/pdf/pubs-asset-infrastructure.pdf>.

Water Affordability

According to EPA, water is unaffordable if it costs more than 2% of household income. Under this definition, water is unaffordable to many residents across the state of Maryland. For residents who cannot pay their bills, the consequences can be dire: water shutoff, disconnection fees, reconnection fees, and/or houses can be placed in tax sale for unpaid bills. In addition, not having running water can be grounds for removing children from the home.

There are a few water assistance programs in Maryland that residents can access to help pay their water bills:

- 2-1-1 Maryland provides information on how residents can get help with their water bills.³ For WSSC customers (Montgomery and Prince Georges Counties), the Salvation Army has a water fund that provides up to \$500 per year to eligible customers.
- In Baltimore City, Water4All is an income-eligible program for residents making below 200% of the federal poverty level.
- Low Income Water Assistance Program.⁴ This federal program provides funds to states to assist low-income households with water and wastewater bills. Maryland operates this program through DHS and the Office of Home Energy Programs.⁵

One of the Problems - Taxability

One concern that has been raised, especially around the Water4All program, is that this form of financial assistance would be classified as self-employment income, and thus taxable income, by both state and federal regulators. Low-income tenants would be responsible for paying taxes on the assistance they receive and could lose as much as a quarter of the benefit to taxes. The assistance would also be factored into their total annual income and could potentially disqualify them for other means-tested financial benefits they receive, such as subsidized housing, SNAP, Social Security, or disability benefits.⁶

A solution: HB 538

HB 538 addresses the problem of residents being penalized by needing water assistance by making this assistance non-taxable. By ensuring that this assistance is not taxable, we can take a small step to help make sure these residents are not additionally financially burdened through a higher tax rate.

For these reasons, I respectfully request a favorable report on HB 538.

³ <https://211md.org/resources/utility-assistance/water-bills/>

⁴ <https://www.acf.hhs.gov/ocs/programs/lihwap>

⁵ <https://dhs.maryland.gov/office-of-home-energy-programs/low-income-household-water-assistance-program/>

⁶ <https://www.wypr.org/wypr-news/2021-08-02/activists-tax-experts-say-water-affordability-program-meant-to-help-city-residents-may-burden-them-instead>

Written Testimony Regarding House Bill 538.pdf

Uploaded by: William Steinwedel

Position: FAV



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

House Bill 0538

Income Tax – Subtraction Modification – Water Affordability Assistance

In the House Ways & Means Committee

Hearing on February 16, 2023

Position: FAVORABLE

Maryland Legal Aid (MLA) submits its written and oral testimony on HB0538 at the request of bill sponsor Delegate Sara Love.

MLA asks that the Committee report **favorably** on House Bill 538, which would end the taxation of water bill assistance granted by state or local government, ending the perverse practice of penalizing low-income residents for receiving assistance because they are low-income. MLA is Maryland’s largest private, civil non-profit law firm, providing free legal services to indigent Maryland residents. MLA assists individuals and families in every Maryland county with a wide array of civil legal issues, including protecting people from the epidemic of the loss of housing across the state. MLA is a non-profit law firm that provides free legal services to the State’s low-income and vulnerable residents.

HB0538 would eliminate from taxable income any water bill assistance received from a local government or the State of Maryland.

Any welfare benefits that are received from a “public welfare fund” based upon need are not considered income for IRS purposes.¹ IRS guidelines are clear: Water bill assistance provided to homeowners is income-based and comes from a public welfare fund. It is therefore not taxable under IRS guidelines.

HB0538 is necessary, however, to clarify that water bill assistance is non-taxable income even where its funding source is not a “public welfare fund.” The need for clarity arises presently in the City of Baltimore’s “Water for All” income-based billing program. However, as detailed below, the importance of HB0538 extends throughout the state.

Under the “Water for All” program, homeowners and tenants typically receive a credit based on their income levels. This credit is accounted for directly in the customer’s billing. Whereas this direct form of the credit works elegantly for properties that are single-metered, it cannot be implemented for a tenant in a master-metered multi-unit building. This type of water-payer is responsible for a share of water and

¹ IRS Publication 525: Taxable and Non-Taxable Income, <https://www.irs.gov/pub/irs-pdf/p525.pdf>.

sewer charges for their entire building and pays their share to the landlord, rather than directly to the utility. (The landlord is the City’s customer.) If this water-payer tenant is income eligible for a “Water for All” credit, they may receive the credit in the form of a reimbursement payment. To account for this transaction of water bill assistance, the City issues a 1099-MISC form.

Under advice from outside counsel, the City of Baltimore takes the view that this direct-to-tenant payment of water bill assistance is taxable income, regardless of IRS guidelines. Although the City has not shared their legal analysis with stakeholders in the implementation of the “Water for All” program, one might assume that, under the City’s view of these credits, the dollars paid out to the tenant derive from general water utility revenue – *not* from a separate “public welfare fund” for water bill assistance. It is possible, too, that the City is unsure how the IRS would treat these direct-to-tenant payments under the aforementioned guidelines. The City may issue the 1099s in an abundance of caution.

HB0538 is necessary to eliminate this ambiguity and ensure that a local government may make direct-to-tenant payments for water bill assistance without issuing a 1099-MISC form. This bill would clarify that water bill assistance is not taxable income and would therefore prevent the City from issuing these 1099s.

Without passage of HB0538, the tax treatment of water bill assistance payments will harm low-income residents.

Low-income Marylanders generally do not have the funds to afford to hire an accountant to go over their tax documents with them, so they are more likely to report a 1099 for water bill assistance in their gross income. This can have several adverse consequences. As noted in the 2022 report *Water Affordability in Maryland*, tenants “lose as much as a quarter of the benefit [of the Water for All credit] to taxes. The assistance would also be factored into their total annual income and could potentially disqualify them for other means-tested financial benefits they receive, such as subsidized housing, SNAP, Social Security, or disability benefits.”²

There is a \$10,300.00 limitation on non-work income for a person to be eligible for the Earned Income Tax Credit (EITC). It is possible that a tenant may incorrectly report their water bill assistance as income to the IRS, which will cause the earned income tax credit to be eliminated or limited incorrectly. In addition, every three years, millions of dollars of tax refunds go unclaimed by taxpayers, especially low-

² Maryland Advisory Committee to the U.S. Commission on Civil Rights, *Water Affordability in Maryland* 10 (July 2022), <https://www.usccr.gov/files/2022-07/md-sac-water-affordability.pdf>

income taxpayers.³ If tenants receive a 1099 for water bill assistance, this may make it less likely that they file a return, fearing incorrectly that they will owe money to the IRS. If they fail to file a tax return, they then will not receive the tax refund that they are entitled to.

Amid rising water unaffordability, localities need the clarity of HB0538 to innovate systemic solutions.

Water bill assistance is critical to achieving affordability for Maryland’s low-income homeowners and renters. The U.S. Environmental Protection Agency defines water unaffordability at more than 2 percent of household income.⁴ The Maryland Advisory Committee to the U.S. Committee on Civil Rights found that “[u]nder this definition, water is unaffordable across the state of Maryland. In fact, for households at 50 percent of the federal poverty rate, water is only affordable in three of the state’s 38 PUMAs (Public Use Microdata Areas).”⁵

Water and sewer service rates have increased sharply in recent years. The increasing cost is not isolated to Baltimore City, where repair of aging systems drove up rates by 30% between 2019 and 2021 and will continue to push rates by 3% annually from 2022 through 2025.⁶ Facing similar infrastructure and budget needs, WSSC implemented back-to-back rate hikes of over 6% over the past two years in Montgomery County and Prince George’s County.⁷ Last year, the private company Maryland Water Service, Inc.’s 3,500 customers faced rate hikes of 30% in Bel Air and Joppa, 68% in Cumberland, and 255% in Severn.⁸

While federal dollars have recently become available for water bill assistance, first through the CARES Act and presently in the form of the Low Income Household Water Assistance Program, localities must anticipate that federal funding will taper off or fail to cover the full extent of need. It will be necessary for localities to innovate long-term affordability mechanisms.

³ IRS Press Release, March 25, 2022, <https://www.irs.gov/newsroom/irs-has-1-point-5-billion-in-refunds-for-people-who-have-not-filed-a-2018-federal-income-tax-return-april-deadline-approaches>.

⁴ *Id.* at 7.

⁵ *Id.*

⁶ Colin Campbell, “Baltimore water rates will increase 30 percent in next three years,” *The Baltimore Sun*, Jan. 9, 2019, <https://www.baltimoresun.com/maryland/baltimore-city/bs-md-ci-water-rate-hike-20190109-story.html>; Baltimore City Public Works, FY 2023-2025 Water/Sewer/Stormwater Rates, <https://publicworks.baltimorecity.gov/proposed-rates>.

⁷ Steve Bohnel, “County Council recommends up to 7% increase in WSSC water rates for upcoming year,” *MoCo360*, Nov. 1, 2022, <https://moco360.media/2022/11/01/county-council-recommends-up-to-7-increase-in-wssc-water-rates-for-upcoming-year>.

⁸ Elizabeth Janney, “Proposed Water Rate Hike In Bel Air Prompts Hearing,” *Patch.com*, Feb. 7, 2022, <https://patch.com/maryland/belair/proposed-water-rate-hike-bel-air-prompts-hearing>.

Baltimore City is a shining example of such innovation. In 2019, Baltimore City Council passed robust measures to limit water and sewer costs to 3 percent of household income. The Water Accountability and Equity Act (WAEA) enacted income-based water and sewer billing for both homeowners and renter households earning less than 200% of the federal poverty level. Instead of cutting some residents out of the program, WAEA extends this affordability measure even to tenants in multi-unit, master-metered buildings. As described above, implementation of “Water for All” raises challenging questions. HB0538 will help the City of Baltimore answer those questions and continue building out a bold program. Equally, for the benefit of constituents outside Baltimore, HB0538 achieve would bring clarity needed by any local governments that are or may become interested in income-based billing.

Because this bill clarifies that water bill assistance is categorically not taxable, **Maryland Legal Aid urges the Committee to issue a FAVORABLE report on House Bill 0538.** If you have any questions, please contact William Steinwedel, (410) 951-7643, wsteinwedel@mdlab.org, or Zafar Shah, (410) 951-7672, zshah@mdlab.org.

HB0538-WM_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



House Bill 538

Income Tax - Subtraction Modification - Water Affordability Assistance

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: February 16, 2023

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the State's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, enabling county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives but resist state-mandated changes that preclude local input.

LOI – HB 538 – Income Tax - Subtraction Modificati

Uploaded by: krista sermon

Position: INFO

**Letter of Information – House Bill 538 – Income Tax - Subtraction Modification - Water
Affordability Assistance**
Ways and Means Committee
February 16, 2023

- House Bill 538 would create a subtraction modification for certain water affordability assistance, including water bill arrearage forgiveness.
- The Comptroller recommends amending the bill to require the localities to submit the required data to the Comptroller periodically and without a request from the Comptroller. The following amendment is suggested:

(2) ~~ON REQUEST, A~~ A UNIT OF STATE GOVERNMENT OR A LOCAL GOVERNMENT THAT ADMINISTERS A WATER AFFORDABILITY ASSISTANCE PROGRAM SHALL PROVIDE TO THE COMPTROLLER, ~~WITHIN 30 DAYS OF THE DATE OF THE REQUEST~~ FOR EACH QUARTER DURING THE YEAR THE UNIT OF STATE GOVERNMENT OR LOCAL GOVERNMENT PROVIDES THE WATER AFFORDABILITY ASSISTANCE, AND IN THE MANNER REQUESTED BY THE COMPTROLLER, THE FOLLOWING INFORMATION:

As always, the Comptroller's Office is willing and available to discuss these concerns or any questions you may have at your convenience. Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696.

