

Testimony in Support of SB661
Tax Parity for Delayed Unemployment Insurance Payments
Ways and Means Committee - March 30, 2023

What the bill does: This bill promotes fairness for unemployed Marylanders by extending the impact of the RELIEF Act of 2021 by establishing a rebate program to refund the taxes withheld from Unemployment Insurance (UI) payments received by constituents in 2022 after UI processing delays.

The problem: The RELIEF Act of 2021 was an essential piece of COVID-19 response legislation which exempted UI payments from state taxes for tax years 2020 and 2021. After the devastating economic hardships that the COVID-19 pandemic caused, this legislation provided working families and small businesses across the state with an opportunity to recover. Unfortunately, due to the unprecedented increase in UI applications during this period, the Department of Labor (MDOL) was overcapacity, and many Marylanders experienced significant delays in receiving their funds.

The RELIEF Act, as written, did not envision that delays at MDOL would cause benefits earned during calendar years 2020 and 2021 to extend payments into Tax Year 2022. A District 46 constituent reached out to me in my capacity as Delegate in mid-2022 asking if there was anything we could do about the taxes withheld from a UI payment just because their case took longer than expected to be approved by the MDOL. We then discovered that this was a system problem – the thousands of Marylanders who had been kept waiting by MDOL were then penalized by having to pay tax on payments through no fault of their own.

One Solution: This bill will bring the recipients of UI payments in 2022 into parity with other similarly-situated taxpayers whose benefits were both earned and paid during the timeframe envisioned by the RELIEF Act.

The RELIEF Act’s legislative intent was preempted due to the influx of UI claims by constituents in the first years of the pandemic, but this bill is our opportunity to see that the intended goals of the RELIEF Act are met.

- ~58,000 Marylanders had tax withholdings in calendar year 2022 for benefits earned in 2020/2021
- ~\$170M in UI payments
- ~\$12M in taxes would be returned to those Marylanders

# of claimants in 2020	UI Associated	
20,832	\$64,554,357	Amount of UI paid
	\$ 4,518,804	Amount paid in State Taxes
# of claimants in 2021	UI Associated	
37,135	\$106,507,231	Amount of UI paid
	\$7,455,506	Amount paid in State Taxes



Through no fault of their own, these Marylanders lost out on approximately \$250 per person – just shy of the economic impact payments contemplated by other provisions of the RELIEF Act. These 80,000 Marylanders should have had these funds in hand to pay bills and buy groceries during the worst of the pandemic, but – through no fault of their own – the process took nearly two years, in many cases. The General Assembly can help make this right – and make it fair – by passing this bill.

I urge your favorable report on SB661.

A handwritten signature in black ink, appearing to read "Brooke E. Lierman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brooke E. Lierman
Comptroller of Maryland