

SB 661 Comptroller

Uploaded by: Brooke Lierman

Position: FAV

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, sweeping underline.

Brooke E. Lierman
Comptroller of Maryland

SB661 Testimony 2023 Crossover.pdf

Uploaded by: Isadora Stern

Position: FAV



Testimony to the House Ways and Means Committee
SB0661: Unemployment Insurance – Tax Parity for Delayed Payments of Benefits
Position: Favorable

March 30, 2023

Honorable Delegate Atterbeary, Chair
House Ways and Means Committee
131, House Office Building
Annapolis, Maryland 21401
cc: Members, Ways and Means Committee

Honorable Chair Atterbeary and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing in support of SB0661. This is necessary and just legislation that will help alleviate the financial burden experienced by many workers who lost their jobs due to the COVID-19 pandemic. The recession induced by the COVID-19 Pandemic resulted in steep job loss, pushing the unemployment rate to a high of 14.7% in 2020.¹ This average was even higher for workers of color with highs above 16% for Black employees.² These high rates of unemployment underlined the significance and need for Unemployment Insurance. Under the CARES Act, passed in March 2020, millions of individuals became eligible to receive some form of unemployment insurance. However, the level of need for unemployment insurance crowded the underfunded and outdated state UI delivery systems. The exhaustive use of this safety net revealed administrative failures that slowed implementation of program expansions and kept many individuals waiting to receive their checks.³

The delayed payments of benefits have caused immense financial hardships for millions of Americans who were already struggling to make ends meet. The economic inequality and systemic inequity highlighted by the pandemic cannot be ignored, and action must be taken to address these issues. This legislation will help bridge the gap between those who have been able to collect their benefits and those who have not, and ensure that delayed payments do not result in an unfair tax burden.

Moreover, this legislation will promote economic equity by ensuring that delayed unemployment payments are not taxed at a higher rate than regular payments. This is a crucial step towards ensuring that workers who are already facing financial hardship are not further burdened by taxes they cannot afford. SB0661 improves the unemployment system - making it more equitable and just for all Marylanders.

For all these reasons we support SB0661 and urge a favorable report.

Best,

Isadora Stern
Policy Manager

¹ <https://www.bls.gov/>

² <https://www.bls.gov/opub/mlr/2022/article/us-labor-market-shows-improvement-in-2021-but-the-covid-19-pandemic-continues-to-weigh-on-the-economy.htm#:~:text=The%20recession%20induced%20by%20the,to%20leave%20the%20labor%20force.>

³ <https://bipartisanpolicy.org/blog/administrative-failures-plague-state-unemployment-insurance-programs/>

SB 661 Crossover Unemployment Insurance Tax Parity

Uploaded by: Tammy Bresnahan

Position: FAV



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SB 661 Unemployment Insurance – Tax Parity for Delayed Payments of Benefits
House Ways and Means Committee
FAVORABLE
March 30, 2023

Good afternoon, Chair Barnes and members of the House Appropriations Committee. I am Tammy Bresnahan, Senior Director of Advocacy for AARP MD. On behalf of our almost 900,000 members, we would like to thank you for the opportunity to speak in support of **SB 661 Unemployment Insurance -Tax parity for Delayed Payment of Benefits**. We thank the Comptroller for bringing SB 661 to the General Assembly.

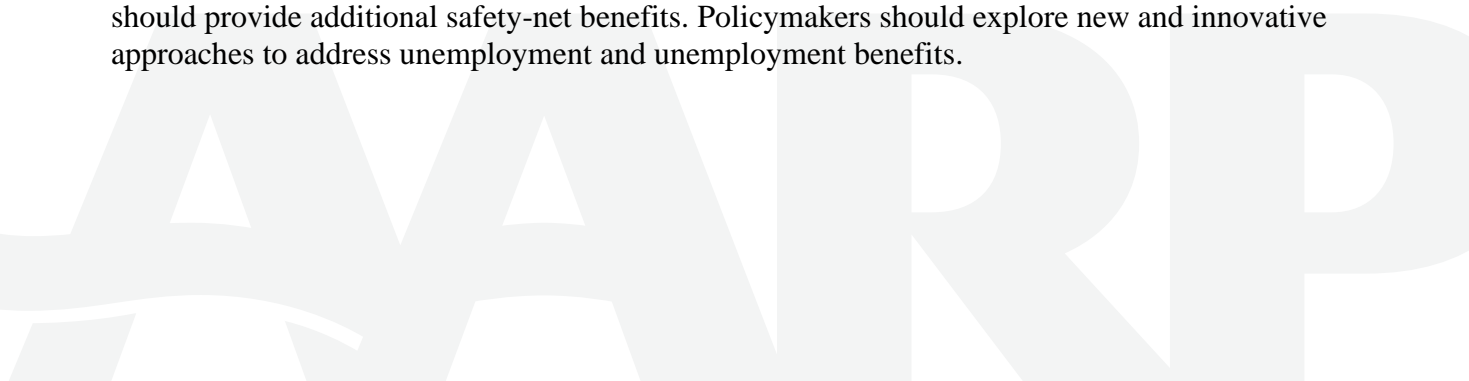
SB 661 establishes a rebate program to refund the taxes withheld from or paid as a result of unemployment insurance payments received in 2022 to bring the recipients into parity with other taxpayers whose benefits were both earned and paid during the timeframe envisioned by the RELIEF Act.

Currently, only one-third of people out of a job receive unemployment insurance. Benefit calculation formulas leave many people with only a small fraction of their previous earnings. Households with low incomes and low wealth were especially hard-hit by the pandemic. In addition, essential workers who are unable to work from home face heightened risk for contracting COVID-19. As you know at the beginning of the pandemic, Congress put in place enhanced unemployment benefits that substantially increased the benefits displaced workers could receive. These measures also extended unemployment benefits to independent contractors and others who previously did not qualify for unemployment. However, that program has now ended but those who were laid off still feel the residual effect of losing their job and an increase tax burden adds even more stress on families.

This is the first time in 50 years that older adults are experiencing higher unemployment than mid-career workers. And researchers don't think the higher rate is just the result of older people choosing not to work because they are worried about possible exposure to the coronavirus.

The job losses that older adults experienced during the pandemic could have dire consequences for their financial security during retirement, causing them to lose the opportunity to build savings right when they may have fewer years to recover that income.

AARP also believes that during economic recessions and recoveries, Congress and the states should provide additional safety-net benefits. Policymakers should explore new and innovative approaches to address unemployment and unemployment benefits.



AARP believes that states should adopt reforms that provide financial assistance to those who are or were unemployed during the pandemic and received unemployment. AARP believes that SB 661 does just that.

AARP respectfully asks the Committee for a favorable report on SB 661. If you have questions or need follow up, please contact me at tbresnahan@aarp.org or by calling 410-302-8451.