



JUSTICE FOR ALL

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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.

201 N. Charles St., Ste. 1400, Baltimore, MD 21201 | www.mvlslaw.org | info@mvlslaw.org | 410-539-6800

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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