



Montgomery County Community Action Board Testimony
HB 1304 - Maryland Department of Health and Department of Human Services - Earned Income
Tax Credit - Distribution of Information
March 28, 2024
SUPPORT

TO: The Honorable Pamela Beidle, Chair; The Honorable Katherine Klausmeier, Vice Chair; and
Members of the Finance 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 HB1304, which would require the Maryland Department of Health to develop a process to distribute information about the Earned Income Tax Credit (EITC) to program participants and potential enrollees in Department services. The bill also requires training on the EITC for the Maryland Access Point Network.

The goal of this bill is to raise awareness about the Earned Income Tax Credit for Maryland residents who are likely eligible for the credit and ultimately increase the number of households that claim the EITC. Currently, about 20% of EITC-eligible households do not claim the credit each year. This is often due to lack of awareness. These households are missing out on extremely valuable credits. This year for example, the maximum federal EITC is \$7,430, a significant amount that could help many lower-income taxpayers put money into savings, pay their bills, pay down their debts, and address other necessities.

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 the credit's impact on racial equity as research has shown its greater impact on reducing poverty for households of color².

This bill is particularly beneficial in Montgomery County because the County's Working Families Income Supplement (WFIS) matches a portion of the state EITC. We are very fortunate to be one of just a handful of local jurisdictions that supplements matching funds to the state credit. HB1304 could link more County residents to both the EITC and the WFIS.

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

² <https://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-help-build-opportunity-for-people-of>

This bill is also of interest to our board because the Montgomery County Community Action Agency oversees the County's Volunteer Income Tax Assistance (VITA) Partnership, and hosts the County's only year-round free tax preparation VITA site. Last year, the agency's VITA program completed over 1,900 tax returns for lower-income County households last year, with a total free tax impact of \$7 million.

It is important to note that the Maryland EITC is 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 2023 Montgomery County Self-Sufficiency Standard, a household with two working adults, one preschooler, and one school-age child would need to earn \$122,943 annually to cover their basic necessities, over four times the federal poverty level.³ Larger tax refunds would have a significant impact on many County households, helping them move closer to the Self-Sufficiency Standard.

The Montgomery County Community Action Board strongly supports HB1304 and asks for the Committee's favorable report.

³ https://www.montgomerycountymd.gov/HHS-Program/Resources/Files/MDMontCo2023_SSS.pdf