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Ensuring Marylanders Receive Much-Needed Tax Credits Will Benefit Families and our Economy

Position Statement Supporting House Bill 1304

Given before the House Ways and Means Committee

Federal and state tax credits aimed at helping working families make ends meet, particularly the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), are vital anti-poverty tools help boost incomes for hundreds of thousands of Marylanders each year. However, there are still many who don't receive the benefits of these tax credits even though they are eligible. **The Maryland Center on Economic Policy supports House Bill 1304 because the state should use all available tools to help ensure Marylanders receive the tax credits they are eligible for.**

Nearly 359,000 Maryland families received an income boost from the federal EITC last year but about one in four who are eligible don't receive it, according to IRS data.¹ The number of eligible Marylanders who aren't receiving the credit has gradually increased over the last decade, suggesting that the current outreach and education aren't enough. People with very low incomes often don't earn enough to be required to file a tax return every year and may not be aware that they are missing out on refundable credits. In addition, people move into and out of eligibility for the EITC as their incomes change, so there is need for ongoing public education about this tax credit.

It is important to ensure all eligible Marylanders are receiving the EITC and CTC because they can have such a powerful impact on people's lives. Nationwide nearly 11 million people are lifted out of poverty each year because of the federal EITC and CTC, with Maryland residents seeing even further benefits due to our state credits.² Research shows that reducing poverty through these tax credits, especially for children, has significant long-term benefits, such as experiencing better health, doing better in school, and earning higher incomes later in life. It is also good for our economy, as families living paycheck to paycheck are likely to spend their refunds on immediate needs like car repairs, clothing, or school supplies, which boosts sales at local businesses.

HB 1304 would help ensure Maryland is full utilizing the power of state agencies and their regular communications with low- and moderate-income Marylanders to expand awareness about the EITC and how to claim it. Expanding uptake of these valuable credits among people who are likely to be eligible would help increase economic security and access to opportunity.

MDCEP understands the bill sponsor may be considering amendments to the bill to include additional state agencies and to ensure the legislation is aligned with existing and planned public awareness and outreach efforts in the Department of Human Services and the Comptroller's Office. We would be supportive of such amendments.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 1304.

Equity Impact Analysis: House Bill 1304

Bill summary

House Bill 1304 would require the Maryland Department of Health and the Department of Human Services to provide information on the State's Earned Income Tax Credit to individuals enrolled or participating in certain programs or services administered by the departments.

Background

About 27% of Marylanders who were eligible for the federal EITC did not claim it in 2020, the most recent year for which IRS data are available. Maryland's EITC participation rate has slightly declined, from nearly 80% in tax year 2011 to around 76% in tax years 2018 and 2019 and 73% in tax year 2020. Similar data are not publicly available for the federal Child Tax Credit or the state level credits. Maryland has taken positive steps to expand eligibility for the state EITC and create a modest state CTC in recent years, meaning there are some people who can receive the state credit but not the federal one. The state has also created other individual credits for older adults and retirees.

Equity Implications

- Due to various structural barriers to opportunity, Black and Latinx workers are far more likely than white workers to earn poverty-level wages and are therefore more likely to qualify for the EITC and Maryland's state CTC. While state and federal tax credits serve a larger number of white households than households in any other racial or ethnic group, they serve a larger proportion of people of color.
- EITCs also have a disproportionate impact in reducing poverty rates among households of color.³

Impact

House Bill 1304 would likely **improve racial and economic equity** in Maryland.

¹ IRS, EITC Participation Rates By State For Tax Years 2013 through 2020, <https://www.etc.irs.gov/etc-central/participation-rate-by-state/etc-participation-rate-by-states>

² Center on Budget and Policy Priorities, "Policy Basics: The Child Tax Credit," 2022. <https://www.cbpp.org/research/policy-basics-the-child-tax-credit>

³ Michael Leachman et. al. "Advancing Racial Equity With State Tax Policy," Center on Budget and Policy Priorities, Nov. 15, 2018. <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>