Testimony to the Senate Finance Committee

SB31 Commercial Law - Attachment of Wages - Exemptions (Exempt Income Protection Act)

Position:Unfavorable

January 30, 2025

The Honorable Pam Beidle, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance

Honorable Chair Beidle and members of the committee::

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights, equity and housing justice for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in strong opposition to SB31. Despite its title, it will effectively roll back wage protections for low-income households and families living paycheck to paycheck.

SB31 alters the way in which wages are protected from garnishment. In 2020, this committee and the General Assembly passed HB0365/SB425 which updated debt exemption in Maryland for the first time in more than 30 years to allow individuals to keep the greater of 75% of wages or 30 times the Maryland minimum wage.

SB31 would shift the calculation of wages that are exempt from garnishment. SB31 would retain the 75% of disposable wages but strike 30 times the Maryland minimum wage and replace it with 150% of the federal poverty level for weekly income based on the household size.

SB31 also states that federal benefits such as Social Security, SSDI, and unemployment are exempt from garnishment. These federal benefits are generally already exempt from garnishment.

The net effect of SB31 would be a modest $20 increase in protection from current law. The problem is in the execution of the law. In order to prove household size, the debtor would have to go to court or somehow attest to the size of their household which increases the onus on the debtor and likely reduces the number of debtor households that would avail themselves of this benefit. This provision would weaken Maryland's current law and create more obstacles for households struggling with debt to receive their lawful protections[1]. Rather than roll back protections and join states like Oklahoma and Nebraska that have similar anemic laws, Maryland should reject this benevolent-sounding bill that harms low-income families.

Financial precarity and housing instability is on the rise. Despite recent gains, the purchasing power of wages continues to lag behind the rising costs of utilities, food, housing, and healthcare. Today working families find that the costs of groceries, housing, and utilities are 22% higher than four years ago with increased utility and insurance costs on the horizon. In terms of housing, U.C. Berkeley's Housing Precarity Risk Model ranks the Baltimore-Columbia-Towson MSA as the fifth most vulnerable nationally for displacement[2]. The model suggests 400,882 Maryland households live in neighborhoods at higher and highest risk for displacement.

Potential Amendments.

While families struggle to make ends meet, we need to help them by expanding hard fought-for protections, not weakening them. **If this committee wants to expand protections for workers, they could simply protect a flat flat $650 per week which would not require the debtor to go to extra lengths to assert that protection. Or if you wish to tie it to FPL, then tie it to 200% FPL which would increase protections for workers.**

While well-intentioned, SB31 sets back working families and financial hardship. For all these reasons we oppose SB31 and urge an unfavorable report.

Best,

Marceline White
Executive Director

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[1] https://www.propublica.org/article/old-debts-fresh-pain-weak-laws-offer-debtors-little-protection
[2] https://www.urbandisplacement.org/maps/housing-precarity-risk-model/