

Income Tax Payment Plans Can Support Reentry for Formerly Incarcerated Individuals

Position Statement in Support of House Bill 634

Given before the Ways and Means Committee

Justice-involved individuals face numerous obstacles while incarcerated and during reentry. While incarcerated, individuals can accumulate high levels of debt by their release. One way is by receiving income tax bills while incarcerated, during which period they often cannot pay and don't have an opportunity to sort out before their incarceration. In this period, interest accrues on the unpaid income tax and creates an additional financial burden while incarcerated and reentering their communities. **The Maryland Center on Economic Policy supports House Bill 634, the Maryland Fair Taxation for Justice-Involved Individuals Act, because it supports returning residents by easing the debt burden from state income tax bills while incarcerated.**

Debt is a common barrier that justice-involved individuals face upon reentry. Easing these barriers has been shown to improve outcomes for returning individuals and their families.¹ By supporting pathways to successful reentry such as job training, regulatory licensing and employment reform, and repealing harmful and extractive fines and fees, states can create an equitable environment for justice-involved individuals to return and be able to support their communities.² Additionally, as many justice-involved individuals reenter their communities with little income and high debt, reducing the financial burden allows returning residents to prioritize spending on essential needs while managing their repayments.

The Maryland Fair Taxation for Justice-Involved Individuals Act allows the Office of the Comptroller to create payment plans for eligible individuals for payment of state income tax for tax years 2025 through 2029 and waives late interest fees on unpaid taxes during the period of incarceration. The bill allows for recovery of outstanding tax bills and supports Maryland's vision for equity.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 634.

Equity Impact Analysis: House Bill 643

Bill summary

House Bill 634 creates the Income Tax Reconciliation Program within the Office of the Comptroller to allow justice-involved individuals who are unable to file a state income tax return while incarcerated to establish installment payment plans and receive a waiver of accrued interest and penalties for tax years 2025 through 2029.

¹ Lavanya Madhusudan, "The Criminalization of Poverty: How to Break the Cycle through Policy Reform in Maryland," Job Opportunities Task Force, 2018, https://jotf.org/wp-content/uploads/2018/08/cop-report-013018_final.pdf

² Matthew Menendez, Michael Crowley, Lauren-Brooke Eisen, and Noah Atchison, "The Steep Costs of Criminal Justice Fees and Fines," Brennan Center for Justice, 2019, https://www.brennancenter.org/sites/default/files/2019-11/2019_10_Fees%26Fines_Final4.pdf

Background

When individuals are incarcerated, they often are not able to ensure certain affairs, such as state income tax payments, are taken care of while incarcerated. This leads to missed payments and interest penalties, which is accrued at 10% and 9% respectively. These debts compound the economic hardship faced by individuals returning to their communities.

Equity Implications

Criminal legal debt impacts Black Marylanders at disproportionate rates. Black Marylanders make up 70% of the State's prison population, while only being 34% of the general population³.

Impact

House Bill 634 would likely **improve racial and economic equity** in Maryland.

³ U.S. Census Bureau, [Population Estimates Program \(PEP\)](#), U.S. Census Bureau, [American Community Survey \(ACS\)](#), Maryland Department Of Public Safety And Correctional Services July 2022 Inmate Characteristics, <https://dpscs.maryland.gov/publicinfo/publications/pdfs/Inmate%20Characteristics%20Report%20FY%202022%20Q4.pdf>