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Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

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House Bill 708 Earned Income Tax Credit - Individuals Without Qualifying Children - Eligibility

Letter of Information

DATE: February 12th 2025

COMMITTEE: Ways and Means

SUMMARY OF BILL: House Bill 708 makes changes to the state's Earned Income Tax Credit program for individuals without qualifying children. The legislation establishes new income thresholds, setting an earned income amount of $7,840 and a phase-out amount of $19,160 for eligible workers. Starting after December 31, 2024, these income thresholds will be adjusted annually for inflation to maintain the credit's value over time. The bill maintains Maryland's 100% match of the federal EITC for eligible individuals without qualifying children. These changes will take effect on July 1, 2025, and will apply to all tax years beginning after December 31, 2024.

EXPLANATION: The 2024 Spending Affordability Committee report outlines a serious budget shortfall, with a projected deficit of $2.5 billion in fiscal 2026 that could grow to $6.0 billion by 2030. The Spending Affordability Committee has urged us to close this gap.

This bill would further impact State revenues, with general fund revenues projected to decrease by $99.1 million in fiscal 2026, growing to $115.9 million by fiscal 2030. The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long term. In light of current projected general fund deficits in fiscal 2027 forward, with uncertainty regarding the federal budget and policy changes, the Department urges caution in passing legislation to significantly increase general fund expenditures without commensurate decreases in other areas or additional revenue to fund the new activity. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

Given the forecasted out-year deficits for the General Fund, as well as significant uncertainty regarding the federal budget and policy changes, it would be challenging for the State to manage this increase in tax expenditure.

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