



Testimony for the House of Delegates Ways and Means Committee on 2/6/2025 at 1:00pm

HB 634 Maryland Fair Taxation for Justice-Involved Individuals Act

February 4, 2025

Favorable

We, the undersigned organizations, write in support of House Bill 634 which seeks to establish the Income Tax Reconciliation Program to allow certain justice-involved individuals to establish payment plans and receive a waiver of any interest and penalties that accrue for unpaid income tax accrued during incarceration.

In 2022, Maryland was responsible for 24 jails in 24 counties, housing 15,637 justice-involved individuals according to the National Institution of Corrections. The majority of these people will eventually be released and return to their communities. . Generally, anyone making over \$13,850 a year must file state income taxes in Maryland including folks who are incarcerated. While people are incarcerated, they can still make money that is eligible to be collected for Maryland state income tax. Such taxable income includes, but is not limited to, certain wages and salaries, earned interest on certain bank accounts or lending activities, and income from businesses and properties. Existing logistical and communication barriers mean even the most diligent money managers may fall behind on their financial obligations while incarcerated. As such, among the many obstacles that returning citizens will face, they may also face significant tax liability upon their release.

It is well understood that financial security plays a major role in reducing recidivism.¹ Conversely, financial instability and debt pose major risks to successful reentry. For one to overcome the burdens associated with reentry and positively contribute to the economic growth of their communities post confinement, they must be afforded the opportunity to improve their material circumstances.

The program established under HB 634 is intended to assist individuals who have been convicted of a crime and is currently serving or have recently served a prison sentence of 6 months to 10 years by allowing them to set up installment payment plans for any unpaid state income tax from their years of incarceration in a state or federal correctional facility. Upon release, individuals will have up to two years to apply for this program. Such payment plans may not exceed ten years. If an individual is approved to participate in the installment program, penalties and interest that accrue on unpaid income tax shall be waived. The program will cover taxable years from 2025 to 2029. The Department of Public Safety would be required to develop an awareness

¹ <https://dworakpeck.usc.edu/news/ensuring-financial-stability-for-ex-convicts-reduces-rates-of-recidivism>



campaign to educate the public. Additionally, the Comptroller would be required to submit an annual report on the program to the General Assembly.

This program offers individuals the opportunity to address missed tax obligations, establish installment payment plans, and obtain waivers for penalties on unfiled or unpaid taxes from that period.

Returning citizens must already contend with a variety of hardships that significantly reduce their chances of maintaining their freedom. If implemented, this program will reduce the impact of this oft forgotten financial burden, reducing the chances for future recidivism and benefitting public safety.

For the foregoing reasons, we urge a “Favorable” report on HB 634.

Sincerely,

Maryland Alliance for Justice Reform
ACLU of Maryland
Helping Ourselves to Transform
Life After Release
Court WatchPG
The LOHM
Common Cause
My FRSB
CASH Campaign of Maryland
QED, Inc.
The QED Foundation
Return Home Baltimore
Abolitionist Law Center
Women Woke Within
NSNS, Palliative OutPatient Care, LLC
Maryland Center on Economic Policy
LWV League of Women Voters of Maryland
Family Support Network
Out for Justice
Barnes International



Maryland



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Working to end unnecessary incarceration and build strong, safe communities



