



Title: Celebrating 50 Years of Economic Advancement: The EITC and CTC's Legacy and the Road Ahead

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Overview of Federal EITC and CTC: Impact and Enhancements During COVID-19

With the 50th anniversary of the Earned Income Tax Credit approaching, this is the perfect time to celebrate the credit as one of the largest anti-poverty programs America has seen and reevaluate its impact on not just families, but all Americans. First enacted in 1975, the Earned Income Tax Credit (EITC) is a refundable tax credit that provides a powerful wage boost for low-to-moderate income families, helping to offset the impact of payroll taxes and supplementing their income, tax-free. 50 years later, it is still one of the largest and most effective anti-poverty programs the country has seen.

In addition to the EITC, the Child Tax Credit (CTC), another effective tool to combat poverty, was first enacted in 1997. Initially created as a non-refundable tax credit to offset the costs of raising children, the CTC has evolved into a partially refundable credit available to many hardworking Americans. For low-to-moderate income families, the credits are often claimed together, and both provide a wage supplement for the families most in need.

Both credits have seen substantial expansions since their inception, but the most recent and notable took place because of the COVID-19 pandemic. The American Rescue Plan Act of 2021 significantly increased the EITC income threshold and maximum credit amount for taxpayers without dependent children. It also increased the credit amount for CTC from \$2,000 to \$3,000 per qualifying child ages 6 to 17 and \$3,600 for qualifying children under age six¹. Additionally, it also made the CTC fully refundable, allowing the credit to reach families with the lowest earnings who were previously excluded from the credit because they did not have enough earned income. These expansions led to a historic decline in child poverty, with rates dropping to a record low of 5.2%.

Overview of Maryland's EITC and CTC: Developments during COVID-19

The CASH Campaign of Maryland promotes the economic advancement of low-to-moderate income families and individuals across the state of Maryland. While the policy efforts of our team and partners in the field have resulted in much needed expansions to our state's EITC and the creation of a modest state-level CTC, these policies continue to provide little help to a group of taxpayers who are just as deserving – single tax filers.



Since the onset of the COVID-19 pandemic, the CASH Campaign of Maryland has advocated for state legislation to expand the state Earned Income Tax Credit and create and subsequently expand a state Child Tax Credit to put money back into the pockets of those who need it most. In 2021, the RELIEF Act expanded the EITC eligibility to include taxpayers filing with individual taxpayer identification numbers (ITINs) for tax years 2020 – 2022. It also created a modest CTC that was limited to \$500 or less depending on the age of the qualifying child dependent, the child’s disability status, and a federal adjusted gross income of \$6,000 or less.

In 2023, the Family Prosperity Act passed, which made the RELIEF Act expansions of EITC and the CTC permanent and further expanded both credits in Maryland. In addition to making the EITC expansions of the RELIEF Act permanent, the Family Prosperity Act removed the \$530 cap of EITC for taxpayers without a qualifying child dependent. It also expanded the newly created CTC to cover all dependents under age 6, not just those with disabilities, and increased the qualifying adjusted gross income limit from \$6,000 to \$15,000.

While these legislative wins have positively impacted over 400,000 Marylanders, single filers have seen little to no benefit from these tax policy expansions. These taxpayers include non-custodial parents, first-time expectant mothers, single men struggling to remain engaged in the workforce, and young veterans.

Impact: EITC Data and Client Stories

The current Maryland EITC has decoupled itself from the federal EITC in a couple of ways that have benefited some Marylanders by:

- Lowering the minimum age from 25 to 18 for single filers
- Allowing otherwise eligible tax filers with ITINs to claim the credit.

However, the Maryland EITC shares a few design flaws with the federal EITC by:

- Setting the same income threshold for single filers which was \$17,640 in tax year 2023
- Having the same amount of maximum credit for single filers which was \$600 in tax year 2023, and
- Setting the same maximum age for single tax filers at 64.

With the recent legislative success in increasing the Maryland minimum wage to \$15 an hour, taxpayers without qualifying child dependents will benefit even less from the EITC unless there are adjustments to the income eligibility and maximum credit amount. While Maryland’s EITC has a 100% match to the federal EITC for single filers, few single taxpayers benefit from the maximum credit of \$600. For example, someone working one part-time job for 15 hours a week



at the new minimum wage rate, would receive just \$452 of EITC at the state level, a 100% match to the amount of federal EITC that particular taxpayer would receive.

However, if that same taxpayer had worked 25 hours each week, they would have received \$0 of EITC. As shown in the table below, someone receiving minimum wage and working 25 hours a week results in a gross income of just \$19,500 but once taxes are factored in, their income becomes \$16,398. If that same person becomes full-time (30 hours a week based on the full-time definition under the Affordable Care Act), their modest earnings of \$23,400 pushes them even further from the income eligibility for the EITC despite their after-tax income being just \$19,300.

Gross Income vs After-Tax Income for Minimum Wage Workers & Their EITC				
Average Hours Worked/Week	Gross Income	Income After Taxes	Eligible for EITC	MD EITC
15 hours	\$11,700	\$10,805	Yes	\$452
20 hours	\$15,600	\$13,840	Yes	\$273
25 hours	\$19,500	\$16,398	No	\$0
30 hours	\$23,400	\$19,300	No	\$0
35 hours	\$27,300	\$22,152	No	\$0

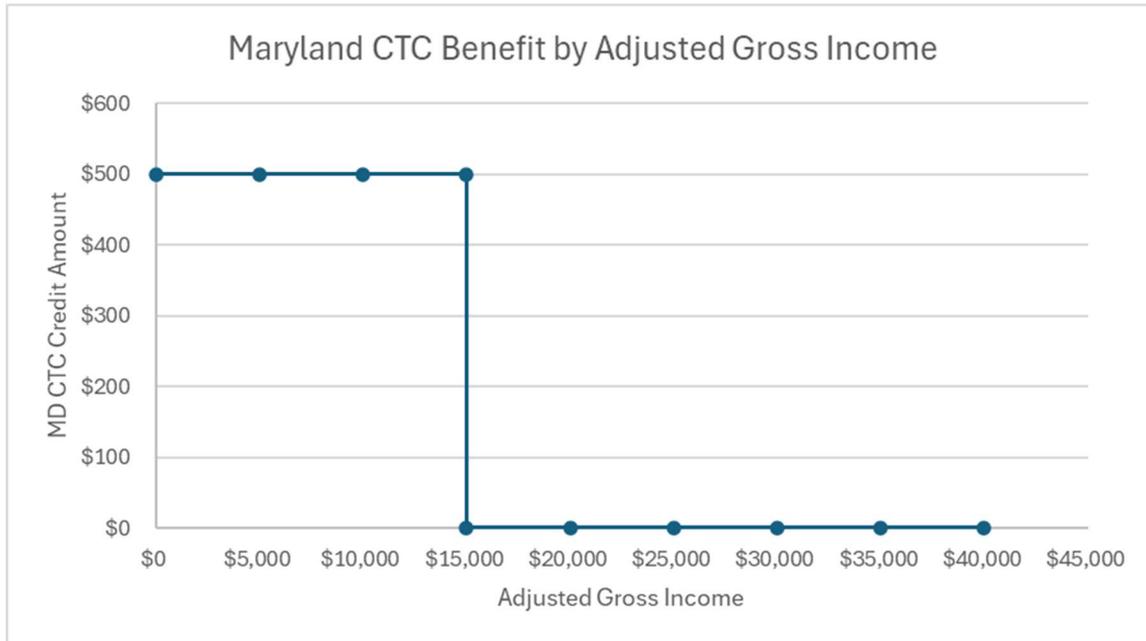
Single filers in Maryland would benefit greatly from an EITC expansion. Consider one of the CASH Campaign's tax clients, Mr. Lowe, a single taxpayer who is a non-custodial parent. Mr. Lowe has a 14-year-old son and works with heavy equipment. Due to a work-related injury, he needs double hip surgery, which limits how much he can work. Unaware of the EITC before completing his taxes with CASH, Mr. Lowe has been unable to reap the benefits of the credit because he is unable to claim his son as a dependent on his taxes and must file as single. Due to the low-income limit set by Congress for single taxpayers, he is ineligible for the EITC. Mr. Lowe stated that receiving the credit would help with food and uniforms for his son.

Impact: CTC Data and Client Stories

The current Maryland CTC has been estimated to benefit 40,000 taxpayers across the state, a small percentage of tax filers with children dependentsⁱⁱ. While recent legislation has expanded the credit to include all children under age 6, the credit is reserved for only children with disabilities between ages 6 and 17. What's even more concerning is that the credit is only available to families with an adjusted gross income of \$15,000 or less. The credit amount is a fixed benefit of \$500 per qualifying child, but once a family makes \$15,001, they are completely



cut off from the credit. The state-level Child Tax Credit does not have a phase-out like the Earned Income Tax Credit, which results in families losing the entire credit all at once.



Expanding the CTC beyond Maryland’s lowest income families to include families with more modest incomes could transform many Maryland households. Consider one of CASH’s regular tax clients, Mrs. Rosenberg, a mother of two daughters ages 1 and 3. Despite her and her husband’s best efforts to save, finances have been limited as she works towards her nursing degree. Because of the \$15,000 cap on income for Maryland’s CTC, Mrs. Rosenberg and her family are unable to receive the additional \$1,000 on their tax return which she says would help cover childcare costs among other expenses such as clothing, food, and supplies for their young children.

Unfinished Business

Maryland ranks 7th among the states for highest cost of livingⁱⁱⁱ. A single adult without dependents would need to make at least \$51,460 per year before taxes to pay for basic expenses^{iv}. Currently, Marylanders working full-time at minimum wage earn \$31,200 a year, which exceeds the threshold for EITC eligibility, despite being insufficient to cover basic expenses. Low-income workers, even those working 40 hours a week, often find themselves in precarious financial situations and are more prone to hardship.

In recent years, CASH and its partners have been advocating for expansion of the EITC for single workers without dependents. Raising the maximum income eligibility to \$27,000 for these low-paid workers would enhance economic security for approximately 100,000 of the lowest earners in the state. Previous research on the EITC indicates that individuals typically remain



eligible for about three years in Maryland. This financial support helps families cover essential expenses such as food, rent, and utilities, as well as larger one-time costs like car repairs or medical bills, which can be challenging to save for due to their low incomes.

By expanding EITC access for single filers, Maryland can invest in the residents who need support the most. What better way to celebrate 50 years of the Federal EITC than by expanding our state level EITC to Marylanders who are currently missing out!

Full Report Here (Link document named “ Celebrating 50 Years of Economic Advancement”)
Summary Here (Link document named “ Celebrating 50 Years of Economic Advancement Summary”)

Endnotes:

ⁱ “How the expanded 2021 tax credit can help your family,” Internal Revenue Service, June 14, 2021. Available at: <https://www.irs.gov/newsroom/how-the-expanded-2021-child-tax-credit-can-help-your-family#:~:text=The%20maximum%20credit%20amount%20has,at%20the%20end%20of%202021.>

ⁱⁱ “Governor Moore Presides Over First Bill Signing , Dedicated to Ending Child Poverty in Maryland,” The Office of Governor Wes Moore, April 11, 2023. Available at: <https://governor.maryland.gov/news/press/pages/governor-moore-presides-over-first-bill-signing-dedicated-to-ending-child-poverty-in-maryland.aspx>

ⁱⁱⁱ Robin Rothstein, “Examining The Cost Of Living By State In 2024,” Forbes Advisor, July 15 2024. Available at: <https://www.forbes.com/advisor/mortgages/cost-of-living-by-state/>

^{iv} Living Wage Calculator, Massachusetts Institute of Technology. Available at: <https://livingwage.mit.edu/states/24>