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POSITION ON PROPOSED LEGISLATION

BILL: House Bill 634 – Income Tax Reconciliation Program for Justice-Involved Individuals

FROM: Maryland Office of the Public Defender

POSITION: **FAVORABLE**

DATE: February 6, 2025

The Maryland Office of the Public Defender respectfully requests that the Committee issue a favorable report on House Bill 634.

Overview of House Bill 634

The Maryland Office of the Public Defender supports House Bill 634's goal of establishing the Income Tax Reconciliation Program. This initiative holds potential benefits for individuals involved in the justice system, particularly in managing their state income tax responsibilities that may have accrued during incarceration. By allowing eligible individuals to set up installment payment plans and waiving penalties and interest, the bill provides a pathway toward financial stability for those affected.

Moreover, raising public awareness about this program is essential in ensuring that eligible individuals are informed and can take advantage of the available options. While the bill presents an opportunity for formerly incarcerated individuals to tackle their tax obligations without the added burden of financial penalties, it is crucial to consider the broader implications and support systems needed for their successful reintegration into society.

The Financial Challenges Faced by Justice-Involved Individuals

According to the Internal Revenue Service, incarceration does not change your tax obligations or debts.¹ Many formerly incarcerated individuals struggle to manage basic expenses, let alone tax liabilities, due to restricted access to stable employment, housing, and credit. Debts related to the criminal justice system, like court-imposed fines and fees, can exacerbate existing challenges faced during reentry. When individuals focus on fulfilling their legal financial obligations, they have less to allocate toward essential expenses for successful reentry, such as obtaining stable housing and dependable transportation. These necessities are crucial for all returning citizens, but they can be even more pressing for parents with children living with them or trying to support their children's needs.² Existing tax debts, along with penalties and interest that have accumulated during incarceration, further worsen the financial distress and

¹ U.S. Department of the Treasury, Reentry Council Mythbuster: Federal Taxes (Washington, DC: Internal Revenue Service, 2021), https://www.irs.gov/pub/irs-utl/reentry_council_mythbuster_federal_taxes.pdf.

² Montes, A. N., Wallace, D., Fahmy, C., Henson, A., Chamberlain, A. W., & Jacobs, L. A. (2021). An Assessment of Prisoner Reentry, Legal Financial Obligations and Family Financial Support: A Focus on Fathers. *International Journal of Environmental Research and Public Health*, 18(18), 9625. <https://doi.org/10.3390/ijerph18189625>

may hinder their ability to reintegrate successfully. Without assistance, these individuals often face long-term financial instability and heightened risks of recidivism.

Core Provisions and Their Effects on Beneficiaries

House Bill 634 defines justice-involved individuals as those who have served prison terms ranging from six months to 10 years and have unpaid state income tax obligations from their time of incarceration. Eligible individuals can apply to the Comptroller's Office for structured installment payment plans, which aid their financial recovery by alleviating the stress caused by accumulating tax debts through waiving penalties and interest. This approach also provides a clear and transparent process, ensuring that eligible individuals are not overwhelmed by complex bureaucratic hurdles as they work toward resolving their tax obligations.

The bill's essential feature is the waiver of accrued interest and penalties on unpaid taxes for eligible participants, recognizing the unique financial challenges faced by justice-involved individuals. By significantly reducing the overall tax burden, this provision makes repayment feasible and prevents the accumulation of debt that could otherwise impede long-term financial stability.

Moreover, the public awareness campaign required by the bill is indispensable in ensuring that eligible individuals know the support available to them. This initiative is not just about disseminating information; it plays a foundational role in enhancing participation rates in the program, thereby maximizing its impact.

Addressing Recidivism and Promoting Economic Equity

House Bill 634 directly addresses the economic precarity that often contributes to recidivism by reducing financial burdens and creating structured pathways for resolving tax debts. Implementing manageable payment plans and waivers for justice-involved individuals may facilitate their financial stability and support their efforts to rebuild their lives.

Furthermore, the bill promotes economic equity by acknowledging the disproportionate impact of incarceration on low-income individuals and communities of color. The program's design helps mitigate long-standing disparities by offering a second chance to those historically marginalized by the criminal legal system.

Conclusion

House Bill 634 aims to assist justice-involved individuals in addressing financial barriers that may impede their long-term stability. The bill proposes measures to facilitate successful reintegration and to address systemic inequities by providing solutions for resolving outstanding tax obligations. It is recommended that the Committee issue a favorable report on this legislation.

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