

JULIE PALAKOVICH CARR
Legislative District 17
Montgomery County

Ways and Means Committee
Chair, Revenues Subcommittee

Chair, Montgomery County
House Delegation



The Maryland House of Delegates
6 Bladen Street, Room 202
Annapolis, Maryland 21401
410-841-3037
800-492-7122 Ext. 3037
Julie.PalakovichCarr@house.maryland.gov

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 363
Local Child Tax Credit – Authorization**

This bill would enable counties and the City of Baltimore to establish a local Child Tax Credit to help families in need in their community. The bill grants local governments flexibility to set the credit amount while streamlining the administration by mirroring the eligibility criteria for the existing Maryland Child Tax Credit.

Childhood Poverty Hurts Kids and Our Economy

Childhood poverty remains a pressing challenge in Maryland with 11 percent of Maryland children living in poverty,¹ leaving one in three children in households struggling to afford food or housing.² Children who grow up in poverty face lifelong disadvantages, including poorer health outcomes, lower educational attainment, and reduced earnings in adulthood.³

Encouragingly, research shows that targeted financial support can change these trajectories. Studies demonstrate that increasing a low-income family's income by even a few thousand dollars per year leads to measurable improvements in children's educational achievement, health, and future earnings.⁴ The National Academy of Sciences has recommended expanding child tax credits as a cornerstone strategy to cut child poverty in half nationwide.³

The Potential of Local Child Tax Credits

¹ Kids Count Data Center, Annie E. Casey Foundation, data for 2023

² "Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit," 2019, Columbia University Center on Poverty and Social Policy

³ "A Roadmap to Reducing Child Poverty," 2019, National Academies of Sciences, Engineering, and Medicine

⁴ "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," 2010, Child Development (Society for Research in Child Development)

A recent analysis underscores the transformative potential of local child tax credits.⁵ The 2025 report found that in most cities, a local credit of \$1,000 or less per child could reduce child poverty by 25 percent, and credits of \$3,000 to \$4,000 could cut poverty in half. Baltimore was among the cities examined and the findings show that a local child tax credit could meaningfully reduce poverty rates when combined with federal and state credits. These results indicate that local credits could be highly effective in addressing child poverty.

Maryland's Child Tax Credit

In 2021, the General Assembly established the Maryland Child Tax Credit to help low-income families with children. The \$500 tax credit was initially limited to families earning \$6,000 or less and who have a child with a disability; the credit was temporary through tax year 2022. In 2023, the legislature made the credit permanent and expanded eligibility to include families making up to \$15,000 annually and added all children under the age of six years. A second expansion in 2025 allowed families earning up to \$24,000 a year to qualify.

This expansion was a crucial step toward reducing child poverty in our state, but the needs of families vary across Maryland. Local governments need to have the flexibility to strengthen support for children in their communities.

What This Bill Does

This bill authorizes counties and the City of Baltimore to enact their own local Child Tax Credit by mirroring the eligibility requirements of the Maryland Child Tax Credit. Counties would have the flexibility to determine the amount of the credit, while maintaining statewide uniform rules for family income and child age. The bill directs the Comptroller's Office to administer the credit, consistent with existing local income tax credits such as the county Earned Income Tax Credit.

By enabling local governments to enact their own Child Tax Credit, we give counties the ability to respond to the unique needs of their residents. This bill furthers Maryland's commitment to reducing child poverty, supports working parents, and invests in the future of our children.

⁵ "The Potential of Local Child Tax Credits to Reduce Child Poverty," 2025, Columbia University Center on Poverty and Social Policy and Institute on Taxation and Economic Policy