



APRIL 2, 2026

# Local Child Tax Credits Would Boost the Power of A Policy Already Helping Thousands of Children

## Position statement in support of Senate Bill 468

*Given before the House Ways and Means Committee*

Every child deserves to grow up in a safe home free of the daily stress that comes with economic insecurity. The federal Child Tax Credit advances this goal by providing an income boost to many thousands of low-income Maryland families with children, but it currently provides only minimal benefits to many families, and locks some out entirely.<sup>i</sup> Maryland's targeted state Child Tax Credit boosts incomes for the lowest-income households that don't benefit from the full federal credit. **The Maryland Center on Economic Policy supports Senate Bill 468, as amended in the Senate, because it would allow local governments to provide a matching credit that further reduces poverty for Maryland children.**

While working family tax credits like the Child Tax Credit are an important part of economic security in the best of times, today's rising unemployment and higher costs for everyday essentials makes this additional assistance even more vital. A larger refund at tax time would be a huge help to the families struggling to make ends meet.

The Child Tax Credit helps make the cost of raising children more affordable for families by offsetting the federal income tax they owe or, if the value of the credit exceeds the tax they owe, by providing part or all of the credit in the form of a refund. The federal credit provides families an income boost of up to \$2,200 per child at tax time. Research shows that this additional income can bring lifetime benefits—improving children's health, helping them succeed in school, and ultimately enabling many to get better jobs in adulthood.<sup>ii</sup> Yet for many children who would gain the most from increased family income, the credit currently provides only small benefits or leaves them out entirely:

- Families whose income is less than \$2,500 per year are not eligible to claim the credit at all.
- Families with slightly higher incomes—up to about \$30,000 for a single parent with one child, or higher for larger families—can claim a partial credit, but are not eligible for the full \$2,200 per child.
- The Trump administration's signature federal tax overhauls in 2017 and 2025 expanded the maximum value of the credit but capped the refundable portion that is most helpful to low-income families at a lower amount. This choice shut struggling families out of the biggest benefits, even as the law handed a windfall to large corporations and wealthy individuals.

Maryland's state CTC provides very-low-income families with young children or children with disabilities a benefit of \$500 per child. Eligible families with income up to \$15,000 receive the full credit and those with income up to \$24,000 receive a partial credit. This modest income boost could mean better access to nutritious food or enriching reading materials, or could even help keep the electricity or heat on.

Allowing local governments to provide a match to the state credit could further help thousands of families afford the basics. Maryland already allows local governments to provide a local match to the Earned Income Tax Credit and Montgomery County has long had a successful program to do so, known as the Working Families Income Supplement.<sup>iii</sup> County leaders are able to adjust the match of the state EITC each year to respond to economic needs and the capacity of their local budget, and families are automatically able to receive much-needed cash without having to file additional tax forms. The revised structure from the amendment using grants instead of tax refunds will also allow for effective implementation.

Because the state Child Tax Credit is targeted to very low-income households that might not get the full benefit of other working family tax credits, the option to provide a local match would complement the existing EITC program and provide a more targeted option for jurisdictions that can't currently afford to match the EITC, which has much broader eligibility and reaches more families.

We owe it to Maryland children to guarantee a basic living standard and a foundation for success at school and in the workforce. Senate Bill 468 would represent an important step in that direction.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on Senate Bill 468, as amended in the Senate.**

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## Equity Impact Analysis: Senate Bill 468

### *Bill summary*

Senate Bill 468 would allow a local grant counterpart to the state child tax credit. Under the state credit, tax filers are eligible to claim the credit if they have a qualifying child under age 6 or an older child who has a disability. Those that have federal adjusted gross income under \$15,000 receive the full credit and it gradually phases down for those with income up to \$24,000. The local match does not need to equal 100% of the state credit.

### *Background*

The federal Child Tax Credit provides families a credit of up to \$2,200 per child. Families with annual income less than \$2,500 are not eligible to claim the federal credit, and families with income below about \$30,000 to \$45,000 (depending on filing status and number of children) can claim only a partial credit. Research shows that increased family income in early childhood can bring lifetime health, educational, and workforce benefits.<sup>iv</sup>

The 2017 and 2025 federal tax overhauls expanded the maximum value of the credit, but capped the refundable portion that is most helpful to low-income families, meaning that millions of children nationwide saw only minimal gains.

### *Equity Implications*

While there are not sufficient data to estimate the characteristics of people who would benefit from Senate Bill 468, data from the current federal child tax credit as well as legislation to improve the credit suggest that the bill would likely bring the largest benefits to women and people of color:

- The Working Families Tax Relief Act was a bill to expand and improve the federal Earned Income Tax Credit and Child Tax Credit, including reforms similar to Maryland's CTC. Among Maryland households

expected to benefit from this bill, 57% were households of color; 40% were Black households; 11% were Latinx households; and 8% are Asian, American Indian/Alaska Native, or belonging to another racial group.<sup>v</sup>

- As of tax year 2012, 65% of Maryland parents benefiting from the federal earned income tax credit or child tax credit were women.<sup>vi</sup>
- Because Senate Bill 468 increases benefits for families with the lowest incomes—who, because of historical and ongoing policies, are disproportionately made up of women and people of color—the bill would likely have even greater benefits for these groups than the current Child Tax Credit.

### *Impact*

Senate Bill 468 would likely **improve racial and economic equity** in Maryland if local governments adopt their own credits.

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<sup>i</sup> “Policy Basics: The Child Tax Credit,” Center on Budget and Policy Priorities, n.d., <https://www.cbpp.org/research/federal-tax/the-child-tax-credit>

<sup>ii</sup> “Policy Basics: The Child Tax Credit”

<sup>iii</sup> See Andrew Boardman, “These Three Local EITCs Are Boosting Family Incomes at Tax Time,” Institute on Taxation and Economic Policy, 2024, <https://itep.org/three-local-eitcs-boosting-family-incomes-at-tax-time/>

<sup>iv</sup> Katherine Michelmore, “Tax Credits and Child Outcomes: Lessons from the U.S., U.K., and Canada,” NBER Working Paper 33822, 2025, <https://www.nber.org/papers/w33822>

<sup>v</sup> Chuck Marr, Brendan Duke, Yixuan Huang, Jennifer Beltrán, Vincent Palacios, and Arloc Sherman, “Working Families Tax Relief Act Would Raise Incomes of 46 Million Households, Reduce Child Poverty,” Center on Budget and Policy Priorities, 2019, <https://www.cbpp.org/research/federal-tax/working-families-tax-relief-act-would-raise-incomes-of-46-million-households>

<sup>vi</sup> “Fact Sheet: 21 Million Mothers Benefit from Tax Credits for Lower-Income Working Families,” Center on Budget and Policy Priorities, 2015, <https://www.cbpp.org/research/federal-tax/fact-sheet-21-million-mothers-benefit-from-tax-credits-for-lower-income-working>  
“Fact Sheet: 21 Million Fathers Benefit from Tax Credits for Lower-Income Working Families,” Center on Budget and Policy Priorities, 2015, <https://www.cbpp.org/research/federal-tax/fact-sheet-13-million-fathers-benefit-from-tax-credits-for-lower-income-working>