

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF HOUSE BILL 679:

Earned Income Tax Credit - Individuals Without Qualifying Children – Eligibility

TO: Madame Chair Anna R. Kaiser, and Members of the House Ways & Means Committee

FROM: Derrell Frazier, Policy Advocate

DATE: February 20, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. JOTF Supports House Bill 679 as a means to expand access to the Earned Income Tax Credit, a critical anti-poverty tool that provides critical support to low-wage workers, particularly non-custodial parents.

Across the country, Earned Income Tax Credit (EITC) has proven to be an effective method in lifting wages and individuals out of poverty, with studies showing that a \$1,000 increase in the EITC led to a 7.3 percentage point increase in employment and a nearly 10 percentage-point reduction in the share of families in poverty¹. In Maryland alone, one in every ten individuals – almost 600,000 people – live below the federal poverty line. The Maryland Earned Income Tax Credit (EITC) is a common-sense tax credit that helps these individuals make ends meet and stay in their jobs despite low wages. Families use the EITC to pay back bills, such as rent and utilities, catch up on their debts, and meet their family’s basic needs, such as food, clothing, and childcare. EITC funds are spent in communities around the state, boosting economic output, jobs, and tax revenue.

EITC recipients utilize the credit for an average of only 2-3 years until they begin to earn higher wages. The EITC also boosts local economies because the credit puts money back in taxpayers’ pockets that is spent locally on basic necessities such as groceries, housing, transportation, and paying down their debt. For every dollar the state spends on the EITC, \$1.24 comes back to the economy.

However, currently, the EITC does not fully match the federal EITC and should be expanded to increase the benefit for low-wage workers who are single filers. If enacted, HB 679 would add, in some instances, an extra \$519.

By increasing the value of the EITC for single filers, Maryland has the opportunity to invest in Marylanders who need it most. Doing so would provide much-needed tax relief to a struggling demographic. The passage of HB 679, along with its companion bill SB 717, would reduce taxes for approximately 280,000 Marylanders, putting them on a path to long-term financial stability.

Therefore, as House Bill 679 strives to reward work, fight poverty, and stimulate the economy, we strongly encourage a **favorable** report.

¹ <https://www.theatlantic.com/business/archive/2018/01/eitc-getting-people-to-work/549416/>