



HB 252- Income Tax - Maryland Earned Income Tax Credit Assistance Program for Low-Income Families

Senate Budget and Taxation Committee

March 28, 2022

SUPPORT

Chair Guzzone, Vice-chair, and members of the committee, thank you for the opportunity to testify in support of House Bill 252. This bill will create the Maryland Earned Income Tax Credit Assistance Program for low-income families.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program ‘VITA’, offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH’s tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Maryland is one of the 30 states that values their hard-working, low-income citizens by offering a state version of the Earned Income Tax Credit (EITC). This credit is known as one of the most powerful anti-poverty tools utilized by federal, state, and local governments. It has shown to substantially benefit women, communities of color, and low-income workers. Right now, low-income workers are fighting to gain or maintain financial security while being taxed further into poverty. Federal, state, and local governments have taken the initiative to strengthen the EITC and deliver additional aid to millions of low-income workers.

Fortunately, Maryland and the federal government have extended the eligibility and the overall worth of the EITC. For Maryland, this means that there was over \$260 million in additional EITC funds that went directly to low-income workers. Unfortunately, around 20% of EITC eligible Marylanders do not claim the credit. These households are missing out on funds that could lift them out of poverty and provide additional money for things like groceries, housing expenses, childcare, and other necessities. Now more than ever there is a demand for free tax preparation and many people have even been waitlisted. Long waitlists also result in households missing out on funds. An EITC assistance program for low-income families can help reach the most vulnerable families and ensure that families that missed out on the credit in past years are able to claim the credit.

It is important to increase EITC participation rates because the credit has many benefits for individuals and the economy:

- It provides a boost to low income working families which strengthens their connection to the workforce.
- It allows people to pay for transportation costs, secure childcare, or receive additional education or training.
- It creates financial security for these families by providing money for groceries, utilities, medical expenses, and emergencies. This creates a stronger economy. *For every dollar spent on the EITC, \$1.24 is returned to the local economy.*

HB 252 will help low income working families by requiring the Comptroller to identify residents who did not claim the EITC but were eligible and provide them with the appropriate forms to claim the state EITC.

For these reasons, we encourage a favorable report on HB 252.

Creating Assets, Savings and Hope