



SB 1105 – Income Tax - Individual Income Tax Credit Eligibility Awareness Campaign
Budget and Taxation Committee
February 29, 2024
SUPPORT

Chair Guzzone, Vice-Chair Rosapepe, and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 1105. This bill will allocate funding for the Comptroller to implement an individual income tax credit eligibility awareness campaign to identify and encourage individuals to apply for income tax credits.

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.**

Tax credits like the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) are some of the most powerful tools that local, state, and federal governments use to lift workers out of poverty. Maryland is one of the 31 states that values their hard-working, low-income citizens by offering a state version of the EITC. Research shows that this tax credit substantially benefits women and communities of color and helps keep people engaged in the workforce. Unfortunately, many people's ability to stay connected to the workforce is threatened. Right now, many low-paid workers are fighting to gain or maintain financial security and refundable tax credits are a critical tool for supporting them.

Spreading awareness of the CTC and EITC will result in an increase the participation of these credits. Maryland's participation in the EITC decreased from tax year 2019 and tax year 2020¹. This decrease represents more household leaving essential money on the table. It will also increase households' connection to the workforce. Working can be expensive for families. Parents need childcare, transportation, and other support to be able to participate in the workforce. With more knowledge of their eligibility for tax credits, families can receive money that can be directly used to manage some of these factors. This means that these families will have a greater opportunity to increase work hours, therefore increasing that family's income for longer than the initial credit. Research has shown that the EITC increases labor force participation for single mothers and is meaningful for reducing poverty,² while the CTC increases labor force participation for single mothers and has the most impact on mothers with young children from 3-5 years old.³

Every year, millions in EITC funds are left on the table instead of in working families' pockets. SB 1105 would ensure that more eligible Marylanders are aware of tax credits that they are eligible for so they can claim them come tax season. More Marylanders claiming their tax credits means fewer households in poverty and a stronger workforce, which will strengthen Maryland's economy.

Thus, we encourage you to return a favorable report for SB 1105.

¹ <https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states>

² <https://www.niskanecenter.org/new-research-finds-the-child-tax-credit-promotes-work/>

³ <https://www.nber.org/digest/aug06/earned-income-tax-credit-raises-employment>