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Maryland Center on Economic Policy

Maryland Community Action
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Welfare Advocates

Marylanders Against Poverty

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TESTIMONY IN SUPPORT OF HB 451

Tax Assistance for Low-Income Marylanders - Funding

Ways and Means Committee

February 8, 2024, 1pm

Submitted by Mark Huffman, Co-Chair

Marylanders Against Poverty (MAP) strongly supports HB 451, which will distribute funds to the Tax Clinics for Low-Income Marylander Fund and increases the state grant to the CASH Campaign to \$800,000 so that they can continue expanding access to free tax preparation.

The tax system was the main vehicle used to deliver relief from the pandemic, and now that the emergency financial relief programs are over, more Marylanders need financial support than ever. Not only have federal emergency financial relief programs ended, cost of living due to inflation has been at an all-time high over the past 3 years. The inflation rate average from 2021 to 2023 was 5.6%.¹ It is crucial that Marylanders receive quality tax preparation services to get the financial assistance they need. Last year, CASH enabled Maryland residents to save \$4 million in tax preparation fees and delivered \$28.5 million in state and federal refunds directly to Marylanders.

Tax preparation is no longer a seasonal activity from January to April. CASH has moved to a year-round tax model where they work with clients to prepare back taxes through the end of October. To serve counties across the state, CASH hires seasonal workers who are site managers and manages hundreds of tax volunteers to provide services at 26 tax sites. Longer tax seasons allow for more people to be served, and it increases the cost to support their partners and site managers.

From 2022 to 2023, CASH noticed a 94% increase in grant requests from their tax sites. They were unable to accommodate all the requests and did not fund the full amount requested for each site. Even though CASH could not fund all the requests, the tax sites are still projected to prepare over 13,000 returns this tax season. CASH expects the grant request amounts to continue to increase from tax sites around the state, and HB 451 would help CASH better meet the demand.

HB 451 would also ensure that financial resources are distributed to The Tax Clinics for Low-Income Marylanders Fund. This fund provides funding to the University of Maryland School of Law, the University of Baltimore School of Law, and Maryland Volunteer Law Service (MVLS). These organizations are designated by the IRS as Low-Income Taxpayer Clinics (LITC). This means that they help represent low-income people in disputes with the IRS, and they provide education and outreach to people who speak English as a second language. LITC's are helpful in communities because they provide representation for little to no fee. They receive a small amount of funding from the IRS, and there is an income ceiling to qualify for the low-income clinic based on family size. Additional allocated funds through HB 451 would greatly benefit these sites and their ability to provide services to low-income Marylanders.

¹ <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>

Increasing CASH's state grant will help strengthen the free tax preparation infrastructure which will help Maryland families receive their full refunds.

MAP appreciates your consideration and urges the committee to issue a favorable report for HB 451.

***Marylanders Against Poverty (MAP)** is a coalition of service providers, faith communities, and advocacy organizations advancing statewide public policies and programs necessary to alleviate the burdens faced by Marylanders living in or near poverty, and to address the underlying systemic causes of poverty.*