Expanding Maryland’s EITC Will Benefit Working Families and the Economy

Position statement in support of House Bill 1253/Senate Bill 840, with amendments
Given before the House Ways and Means and Senate Budget and Tax Committees

The Maryland Center on Economic Policy supports House Bill 1253/Senate Bill 840 with the necessary amendments to align it with House Bill 1047/Senate Bill 294, so that it closes the gap in the current Earned Income Tax Credit. Maryland policymakers did the right thing for hard-working Maryland families and the state’s economy when they expanded the refundable state Earned Income Tax Credit in 2014. Allowing working people who struggle to get by on low wages to benefit from the expanded credit sooner would help families, their communities and the local economy.

Accelerating the planned increase in the refundable portion of Maryland’s EITC will benefit more than 170,000 Marylanders and add an estimated $19 million per year to the state’s economy. While this offers an essential hand up for these working families, it still leaves out thousands of other low-wage workers. Young people just getting started in the workforce, workers without children and those who don’t claim a child as a dependent get little or no benefit from the current credit, even if they have very low incomes. In fact, many people who work for very low wages go deeper into poverty because they don’t qualify for a meaningful tax break.

Passing House Bill 1253/Senate Bill 840 would be better than the status quo for many hard-working Maryland families. However, the best policy option would be to amend the bill (or pass Senate Bill 294 instead) so that it helps more than 355,000 Marylanders who are ages 18-25 or who don’t have dependent children and are now struggling to get by on low wages. This would nearly double the impact of the current policy.

That would also mean greater benefits for Maryland businesses, as the lower tax bills mean that recipients have more to spend on necessities like groceries and car repairs. Researchers estimate that in many cases, the federal credit creates local economic impacts equivalent to at least twice the amount of EITC dollars received. A 2004 study of Maryland’s EITC estimated
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that it added $16 million to the economy in Baltimore City alone, creating 167 jobs and generating $4.9 million in wages.

As written, Senate Bill 840 provides valuable support to some of the families that are already receiving the Earned Income Tax Credit. However, it does nothing to address those workers who are taxed deeper into poverty because they either receive a very small benefit or no benefit at all from the EITC. An amended Senate Bill 840 could provide the additional benefits to current recipients and also correct the glaring deficiency in the current state EITC that leaves out younger workers and people without dependent children.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee and the Senate Budget and Tax Committee report House Bill 1253/Senate Bill 840 favorably, with amendments.