



County Council Bill 14 – 21 – Working Families Income Supplement Amendments
Montgomery County Community Action Board Testimony
Tiffany Jones, Chair
May 11, 2021

Good afternoon, Council President Hucker, Vice President Albornoz, and members of the County Council. My name is Tiffany Jones and I am the Chair of the Montgomery County Community Action Board. Thank you for the opportunity to speak with you on behalf of our board in strong support of Council Bill 14 – 21.

As advocates for the low-income community, Earned Income Tax Credits and VITA free tax preparation services have been longtime priorities for the Community Action Board. Extensive research indicates that the EITC is one of the best tools available to not only lift people out of poverty¹, but also reduce health disparities² and improve educational outcomes for children³. This year, the CAB supported the expansion of the Maryland EITC, which raised the state match to 45% of the federal EITC, increased the EITC for single adults, and, for the first time, included rather than excluded people who file taxes with an ITIN. This expansion is estimated to impact 45,000 County residents filing tax returns including dependents, 21,000 County filers without dependents, and 5,300 ITIN filers in the County (factsheet attached).

We are thrilled that more Marylanders will now benefit from the state EITC, and we are pleased that County leadership has committed to similarly expanding the WFIS. Passage of this bill will allow more community members to benefit from a proven anti-poverty tool. While the list of positive impacts of Earned Income Tax Credits is too long to share in this testimony, it is important to note that the impact extends well beyond the financial realm. For example, EITC

¹ <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>

² https://www.kellogg.northwestern.edu/faculty/garthwaite/htm/EITC_Health_Final_Draft.pdf and <http://ftp.iza.org/dp12417.pdf>

³ https://www.nber.org/system/files/working_papers/w14599/w14599.pdf

expansions have been linked to increased birthweights⁴, with larger impacts for births to African American women, to improved maternal health⁵, and to decreases in children entering foster care⁶. The EITC, is also a racial equity tool as research has shown its greater impact on reducing poverty for households of color⁷. Research finds these benefits are also conveyed through the Child Tax Credit, recently expanded through the ARPA.

With the Maryland EITC extending to more filers this year, it is important to assure that County residents are aware of these credits, as one in three households are typically new filers. EITC recipients must also have access to tax services that will connect them with all of the credits for which they are eligible. The Community Action Agency coordinates the County's multilingual EITC outreach campaign, is the County's largest VITA program, and is Maryland's largest VITA program preparing taxes for taxpayers with ITINs. Extensive outreach this year included Ride On bus signs, flyers in seven languages, and, through the United Way, a text messaging campaign that resulted in a substantial increase in visits to the CASHBACK website and calls from residents in need of free tax services.

Through CARES, ARPA and the Maryland Relief Act, a number of new tax laws are increasing refunds substantially for lower-income taxpayers, yet the "free tax help" capacity has decreased by at least 80%, according to our colleagues at the CASH Campaign of Maryland, due to the complexity of delivering virtual services during COVID. The agency's VITA program has been serving County residents through a virtual model since June of 2020. In March, with an already long waitlist of 200+, the program stopped accepting clients in desperate need of free tax help. Therefore, we appreciate the County Council HHS Committee's recommendation to add \$180,000 in ARPA funding to support Community Action's two full-time County employees to strengthen service delivery, working with the current Fellow and 20 volunteers, and to increase outreach to link all eligible community members to credits that can substantially

⁴ <https://pubs.aeaweb.org/doi/pdfplus/10.1257/pol.20120179>

⁵ https://www.kellogg.northwestern.edu/faculty/garthwaite/htm/EITC_Health_Final_Draft.pdf

⁶ <https://journals.sagepub.com/doi/full/10.1177/1077559519900922>

⁷ <https://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-help-build-opportunity-for-people-of>

impact their financial well-being. In addition to strongly encouraging the Council to fully support the funding to Community Action Agency's VITA program, the Community Action Board recommends that the Volunteer Center's RSVP/AARP program and community-based VITA partners who contribute to serving low-income people also receive ARPA funding to strengthen service delivery.

Thank you for your ongoing support of the low-income community and programs, like the EITC and WFIS, that help residents move towards self-sufficiency.

UPDATES TO THE WORKING FAMILIES INCOME SUPPLEMENT



EITC & WFIS BENEFITS

Montgomery County's Working Family Income Supplement provides vital economic support to very low-income families living in a county that has some of the highest housing costs in the state. About 32,000 Montgomery County households received a credit for tax year 2019, with an average credit of \$546.

The WFIS adds another layer of support on top of federal and state tax credits, the Earned Income Tax Credit and the Child Tax Credit. These tax credits are powerful anti-poverty tools and high-quality research links them to a wide range of benefits. The WFIS provides an additional benefit in that it is delivered several months after families have received their federal and state tax refunds, providing economic stability throughout the year.

For most of its history, the WFIS has been a 100% match of the state Earned income Tax Credit.

- Together, the federal, state and local credits lift family incomes above the poverty line
- Flexible funds that can be used to meet a range of needs
- Research links working family credits like the EITC to better health outcomes and higher levels of education
- Investing more in working family tax credits is good for business too. Low-income households are likely to quickly spend tax refunds at local businesses

State Changes to the Earned Income Tax Credit

This month, the Maryland General Assembly passed emergency legislation providing additional economic assistance to low-income families and small businesses and Governor Hogan signed it into law.

One of the central provisions was a major expansion of the state EITC for tax years 2020 through 2022. A second emergency bill focused on expanding the EITC to include all immigrant taxpayers.

These changes will provide needed benefits to about 45,000 Montgomery County households.

The below changes automatically expand the benefits of the Montgomery County WFIS, but needs to be accounted for in the County budget:

Increased the refundable portion of Maryland's EITC for tax returns including dependents to 45% of the federal credit, up from 28%

- This is expected to increase the average credit to about \$1,100

Increased the refundable portion of the EITC for filers not claiming dependents on their taxes to 100%, or a max of \$530

- This change is important because the federal credit is very low for people not claiming dependents on their taxes.

- This will increase the average credit for these taxpayers from about \$75 to about \$375.
- This change will benefit an estimated 21,000 Montgomery County residents.

Allowing people to receive the EITC if they pay taxes using an Individual Taxpayer Identification Number (ITIN) rather than a Social Security number, or who are otherwise excluded by federal eligibility rules that aren't related to their income.

- About 5,300 Montgomery County households pay taxes using an ITIN and meet the income and other eligibility rules for the EITC.

Example: Married couple, 2 kids

