



**Testimony Concerning SB 384
Income Tax – Earned Income Credit – Refundability
Submitted to the Senate Budget and Taxation Committee
February 24, 2016**

Position: Support

Maryland Family Network supports SB 384, which would accelerate the increase the maximum Maryland Refundable Earned Income Credit to 28% of the federal EIC. In so doing, the bill will help low- and moderate-income workers maintain a place in the world of work, meet the needs of their families, and build a more secure financial future for themselves.

Maryland Family Network (MFN) has worked since 1945 to improve the availability and quality of child care and other supports for children and families in Maryland. During recent decades, MFN has worked to ensure that all eligible Marylanders know about the EIC and know how to claim it.

The federal Earned Income Credit (EIC) is a tax benefit for low-income and moderate-income individuals who work full-time, part-time, or part of the year. The EIC is designed primarily to benefit families. Workers who qualify for the EIC and file a federal tax return can get back some or all of the federal income tax that was taken out of their pay during the year. They may also get additional cash back as an income supplement.

In addition to the federal EIC, Maryland has a State EIC. The maximum value of an individual taxpayer's State EIC is half the amount of that taxpayer's federal EIC. This amount can be used to reduce or eliminate State income tax liability. If the amount of the Maryland credit exceeds the worker's State tax liability and the worker has one or more dependents that s/he can claim on his/her federal tax return, then s/he may be eligible for the refundable Maryland EIC.

Many Maryland families, even those who have moved from welfare to work, still live in poverty. The EIC is one of the nation's most powerful tools for alleviating poverty. In addition to helping those living below the poverty level, the EIC assists those living slightly above the poverty level but still on very low incomes.

Earned income credits are the right tool to help these low-income, working families. These credits reward people who are making the effort to find and hold jobs. And they help make low-wage jobs a viable alternative to welfare. The added income boost



from the EIC can make it possible to obtain the essential support and logistics required to hold a job, such as transportation and reliable child care.

Moreover, the *refundable* EIC, which is addressed in SB 384, helps those workers earning the very lowest wages – wages so low that the workers have little or no tax liability and therefore cannot make use (or full use) of a non-refundable tax credit.

However, even with the income from their wages and from the EIC, many families are still in need, still raising children in poverty. Parents want to work and provide for their families, but they cannot do this on poverty-level incomes. They need ample support from the EIC in order to secure their hold on employment and begin to build a more secure financial future for themselves and their children.

For the sake of these families, MFN urges your favorable consideration of SB 384.