



TAX CREDITS FOR **MARYLAND** FAMILIES

Protect Tax Breaks For Maryland's Working Families

Working family tax credits, like Maryland's state Earned Income Tax Credit (EITC), are proven, powerful tools that help ensure kids don't grow up in poverty and that families can afford the basic things their household needs.

Maryland took a big step forward in supporting working families in 2021 when it expanded the state EITC to include thousands of low-income workers who were previously ineligible for the credit, and increased the value of the credit for all recipients.

Because of these changes, the EITC we have today is more effective because it includes all low-income working people, whether they are lifelong Marylanders or immigrants

who have chosen Maryland as their home; whether they are raising kids or just starting out on their own. However, these gains will be reversed in 2023 if the Maryland General Assembly doesn't act. We all benefit when Marylanders have greater economic security, and making permanent improvements to the EITC will allow our families and communities to weather the ups and downs of the economy and life challenges.

About the EITC

The Earned Income Tax Credit (EITC) is the largest and most effective anti-poverty tool for Maryland residents, helping more than 400,000 Marylanders make ends meet and putting millions of dollars into local communities.

It allows low-to-moderate-income taxpayers to get back a little more at tax time to essentially offset some of the income, sales, and other taxes they pay throughout the year. This often means people receive a larger tax refund because of the EITC, which gives families cash to use on whatever they need, from making large payments like car repairs or medical bills to helping with day-to-day expenses like food and rent.

Research shows the EITC supports:

- Improved maternal and infant health
- Better school performance and increased college enrollment
- Increased work and earnings in the next generation

In addition, money invested in the EITC goes right back into the local economy as recipients spend it on basic necessities such as groceries, housing, transportation, and debt. For every dollar the state spends on the EITC, it generates an estimated \$1.24 in economic activity, according to one estimate.



How the 2021 expansions helped working Marylanders

While the EITC is incredibly effective for those who receive it, prior to the changes in 2021 the credit excluded immigrant taxpayers who file taxes using an individual taxpayer identification number. It also provided little assistance to workers not claiming dependent children on their taxes, which has meant these workers with very low incomes are essentially taxed further into poverty.

The 2021 expansions made more than 100,000 people newly eligible for the state EITC. The expansions also significantly increased the value of the credit for all recipients:

- The average state refundable credit for tax year 2020 increased to more than \$850, with more than 400,000 Marylanders benefitting from this larger credit
- Upward of 90,000 workers not claiming dependents can now get a max credit of \$530, several times greater than the credit they were previously eligible for
- More than 100,000 immigrant taxpayers are newly eligible for the credit