



Committee: GO

Committee Review: At a future date

Staff: Ludeen McCartney-Green, Legislative Attorney

Purpose: To introduce agenda item – no vote expected

Keywords: ¹#WorkingFamilies,#MoCoIncomeSupplement,#IncomeEquity

AGENDA ITEM 8A

April 20, 2021

Introduction

SUBJECT

Expedited Bill 14-21, Finance – Working Families Income Supplement– Amendments
Lead Sponsors: Council Vice President Albornoz and Councilmembers Navarro and Katz
Co-Sponsors: Council President Hucker and Councilmembers Friedson, Rice and Glass

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- To introduce Bill – no vote expected

DESCRIPTION/ISSUE

Expedited Bill 14-21 would alter certain requirements for residents to qualify for Working Families Income Supplement and generally amend the law governing Working Families Income Supplement tax credit.

SUMMARY OF KEY DISCUSSION POINTS

This report contains:

Expedited Bill 14-21

©1

Legislative Request Report

©3

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MEMORANDUM

April 15, 2021

TO: County Council

FROM: Ludeen McCartney-Green, Legislative Attorney

SUBJECT: Expedited Bill 14-21, Finance – Working Families Income Supplement– Amendments

PURPOSE: Introduction – no Council votes required

Expedited Bill 14-21, Finance – Working Families Income Supplement– Amendments, sponsored by Lead Sponsors, Council Vice President Albornoz and Councilmembers Navarro and Katz and Co-Sponsors, Council President Hucker, Councilmembers Friedson, Rice, and Glass is scheduled to be introduced on April 20.¹ A public hearing is tentatively scheduled for May 11, 2021 at 1:30 p.m.

Expedited Bill 14-21 would alter certain requirements for residents to qualify for Working Families Income Supplement.

BACKGROUND

Currently, under Code § 20-78, the law requires to claim the Working Income Families Supplement (WIFS) tax credit, a resident must be eligible and qualify for both the Federal and State earned income tax credit.

It is important to note that Montgomery County is the only county in Maryland that offers a local income tax credit for its residents with a 100% match of the State earned income tax credit for the applicable tax year.

Federal Earned Income Tax Credit Requirements

As of December 2017, the federal Tax Cuts and Jobs Act (TCJA) made significant changes to the individual income tax, including qualifications for the Earned Income Tax Credit (EITC). A

¹#WorkingFamilies;#MoCoIncomeSupplement;#IncomeEquity

taxpayer and their dependents must have a valid social security number (SSN) to be eligible for the federal EITC. As a result of the change in the law, many taxpayers who are within the poverty level and issued an IRS Individual Taxpayer Identification Number (ITIN) because they do not qualify for a social security number, are exempt from applying for the EITC.

State Earned Income Tax Credit Requirements

On March 5, 2021, the Maryland General Assembly enacted Senate Bill 218 – Child Tax Credit and Expansion of the Earned Income Credit (EIC) under Article II, §17(b) of the Maryland Constitution. The emergency bill expanded eligibility requirements of the State and local earned income tax credits, which also increased the State and local poverty level credits, by allowing additional taxpayers to claim the tax credits without the federal requirement to have a valid social security number. In essence, Maryland no longer mirrors the federal eligibility standards.

The expansion under SB 218 will now provide for ITIN holders to qualify and support approximately 255,000 low-income workers² in Maryland. With the passage of the American Rescue Plan Act (ARPA), it increased the EITC for low-paid working adults who are not raising children at home and previously received a minimal credit. Further, it will raise the maximum EITC from about \$540 to about \$1,500, raise the income cap for them to qualify from about \$16,000 to at least \$21,000, and expand the age range of those eligible to include younger adults aged 19-24 who are not full-time students and those 65 and over.³

SPECIFICS OF THE BILL

Bill 14-21 will amend the requirements under County Code § 20-78 to allow a resident who qualifies for either Federal *or* State EIC to be eligible for the County’s Working Families Income Supplement. This amendment to the Code will expand the eligibility for residents who are ITIN holders and qualify for the State EIC, and thereby, eligible for the local earned income tax credit.

The bill applies to tax years 2020 through 2022 and sunsets on January 1, 2023.

<u>This packet contains:</u>	<u>Circle #</u>
Expedited Bill 14-21	1
Legislative Request Report	3

²“Van Hollen, Cardin Secure Maryland Funding in Senate-Passed American Rescue Plan.” *Chris Van Hollen*, Senator Chris Van Hollen, www.vanhollen.senate.gov/news/press-releases/van-hollen-cardin-secure-maryland-funding-in-senate-passed-american-rescue-plan. Accessed 12 Mar. 2021.

³ Center on Budget & Policy Priorities. “American Rescue Plan Act Will Help Millions and Bolster the Economy.” *Center on Budget & Policy Priorities*, 15 Mar. 2021, www.cbpp.org/research/poverty-and-inequality/american-rescue-plan-act-will-help-millions-and-bolster-the-economy.

Expedited Bill No. 14-21
Concerning: Finance – Working Families
Income Supplement- Amendments
Revised: 3/24/2021 Draft No. 2
Introduced: April 20, 2021
Expires: October 20, 2022
Enacted: [date]
Executive: [date signed]
Effective: [date takes effect]
Sunset Date: January 1, 2023
Ch. [#], Laws of Mont. Co. [year]

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council Vice President Alborno and Councilmembers Navarro and Katz
Co-Sponsors: Council President Hucker and Councilmembers Friedson, Rice, and Glass

AN EXPEDITED ACT to:

- (1) alter certain requirements for residents to qualify for Working Families Income Supplement; and
- (2) generally amend the law governing Working Families Income Supplement tax credit.

By amending

Montgomery County Code
Chapter 20, Finance
Section 20-78

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Section 20-78 is amended as follows:**

2 **20-78. Eligibility.**

3 (a) A person is eligible to receive the Working Families Income
4 Supplement if the person is eligible to receive, and has applied for:

5 (1) the federal earned income tax credit, or any successor federal
6 income tax credit; or [and]

7 (2) the analogous state refundable earned income credit.

8 (b) The County Executive, by regulations issued under Method (1), may
9 adopt other eligibility standards. However, those standards must not
10 make any person ineligible to receive the Supplement who would be
11 eligible under subsection (a).

12 **Sec. 2. Expedited Effective Date; Sunset.**

13 The Council declares that this legislation is necessary for the immediate
14 protection of the public interest. This Act takes effect on the date on which it
15 becomes law. The amendments in Section 1 must apply to all taxable years
16 beginning after December 31, 2019, but before January 1, 2023.

LEGISLATIVE REQUEST REPORT

Expedited Bill 14-21

Finance – Working Families Income Supplement– Amendments

DESCRIPTION: Expedited Bill 14-21 would alter certain requirements for residents to qualify for Working Families Income Supplement and generally amend the law governing Working Families Income Supplement tax credit.

PROBLEM: To qualify for the County’s Working Families Income Supplement tax credit, a resident must be eligible for both Federal and State Earned Income Tax Credit; this provision in the Code excludes certain taxpayers, *i.e.* ITIN holders, who do not qualify under certain federal requirements.

OBJECTIVE: To expand the County’s Working Families Income Supplement to include additional taxpayers, such as ITIN holders, who now qualify under the State Earned Income Tax Credit, and thereby, eligible to claim the County’s refundable local income tax credit.

COORDINATION: N/A

FISCAL IMPACT: Office of Management and Budget.

ECONOMIC IMPACT: Office of Legislative Oversight

RACIAL EQUITY AND SOCIAL JUSTICE IMPACT: Office of Legislative Oversight

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: N/A

SOURCES OF INFORMATION: Department of Legislative Services (DLS)

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: N/A