

The Impact of Increasing Maryland's Refundable Earned Income Credit The Distribution of Increased Tax Refunds by Jurisdiction

The table below shows how the benefits of increasing Maryland's refundable earned income credit would be distributed among taxpayers by jurisdiction in Maryland.

Under current law, Maryland's refundable earned income credit is equal to 15 percent of the federal credit. Legislation proposed in the Maryland General Assembly—SB 166 in the Senate and HB 222 in the House—would increase Maryland's refundable earned income credit to 20 percent of the federal credit.

This increase is estimated to provide additional tax refunds of \$21.8 million to Maryland's lowest income, working parents.

Arguments in favor of expanding the earned income credit are well-known: It rewards work, leads to greater labor force participation among single mothers, provides an important income boost to low-wage workers, and partially offsets the impact of other taxes.

The table also illustrates the value of the earned income credit in helping economies in low-income neighborhoods. For example, expanding the refundable EIC to 20 percent of the federal credit would put \$6.4 million directly into the pockets of taxpayers in Baltimore City's lowest income neighborhoods. Research shows that these taxpayers will spend much of this money in their neighborhood economies—fixing cars, buying groceries, shoes and apparel, and appliances, and paying bills. This dynamic occurs in a less-concentrated way in jurisdictions throughout the state.

Some points worth noting from the table:

- Jurisdictions with disproportionately large low-income populations would gain the most from an increase in the refundable earned income credit. This is most apparent in Baltimore City, which would receive 29 percent of the increased refunds.
- While poorer rural jurisdictions, such as those in the Lower Eastern Shore and in far Western Maryland would receive relatively small dollar increases, their share of the benefits generally are larger than their share of the state population.
- Higher-income jurisdictions such as Anne Arundel, Baltimore, Howard, and Montgomery counties would receive a smaller proportion of EIC returns. This is because these jurisdictions have proportionally fewer low-wage workers relative to the rest of the state. However, the EIC provides an important income boost to taxpayers in these jurisdictions, where costs of living are likely higher.

Further, the amount of the increase in tax refunds that would be provided to low-income taxpayers in these jurisdictions still would be substantial. **MBTPI**

**Impact of Increasing the Maryland Refundable Earned Income Credit
As Proposed by SB 166 and HB 222
Distribution of Increased Tax Refunds by Jurisdiction**

County	Increase in EIC	Percent of the Total Increase	Percentage of State Population
Allegany	\$355,800	1.63%	1.38%
Anne Arundel	\$1,262,900	5.79%	9.29%
Baltimore	\$2,327,400	10.67%	14.00%
Baltimore City	\$6,390,200	29.28%	12.23%
Calvert	\$228,400	1.05%	1.43%
Caroline	\$177,100	0.81%	0.57%
Carroll	\$270,000	1.24%	2.95%
Cecil	\$293,800	1.35%	1.63%
Charles	\$417,600	1.91%	2.34%
Dorchester	\$201,000	0.92%	0.57%
Frederick	\$384,500	1.76%	3.69%
Garrett	\$150,900	0.69%	0.57%
Harford	\$519,800	2.38%	4.21%
Howard	\$410,400	1.88%	4.70%
Kent	\$86,400	0.40%	0.37%
Montgomery	\$2,218,800	10.17%	16.48%
Prince George's	\$4,023,900	18.44%	15.12%
Queen Anne's	\$125,000	0.57%	0.79%
St. Mary's	\$308,100	1.41%	1.72%
Somerset	\$154,100	0.71%	0.47%
Talbot	\$126,400	0.58%	0.65%
Washington	\$483,700	2.22%	2.47%
Wicomico	\$510,700	2.34%	1.54%
Worcester	\$146,400	0.67%	0.84%
Nonresidents	\$248,800	1.14%	
Total	\$21,822,200		