

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

