

MEMORANDUM

March 15, 2013

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Introduction:** Expedited Bill 8-13, Working Families Income Supplement – Amount

Expedited Bill 8-13, Working Families Income Supplement – Amount, sponsored by Councilmembers Reimer, Elrich, and Leventhal, is scheduled to be introduced on March 19. A public hearing will be scheduled at a later date.

Background

The County Working Families Income Supplement (WFIS) is derived from the Federal earned income tax credit (EITC). The EITC is a refundable tax credit for lower income working families and individuals. To qualify for the EITC in Tax Year 2013, a taxpayer must earn less than:

- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children
- \$43,038 (\$48,378 married filing jointly) with two qualifying children
- \$37,870 (\$43,210 married filing jointly) with one qualifying child
- \$14,340 (\$19,680 married filing jointly) with no qualifying children

The Tax Year 2013 maximum credit is:

- \$6,044 with three or more qualifying children
- \$5,372 with two qualifying children
- \$3,250 with one qualifying child
- \$487 with no qualifying children

Twenty-two states (including Maryland), the District of Columbia, New York City, and Montgomery County offer their residents a WFIS based upon the EITC. Maryland permits residents to claim a credit of one-half of the Federal EITC. In 2000, the County began matching 100% of the Maryland credit to help working County residents meet the high costs of living in Montgomery County. In May 2010, the Council enacted Expedited Bill 33-10, which permitted the Council to set the WFIS at less than 100% of the Maryland credit by resolution each year. Accordingly, the Council set the WFIS at 72.5% for FY2011, 68.9% for FY2012, and 75.5% for FY2013.

Expedited Bill 8-13 would increase the WFIS to 80% of the Maryland credit beginning in FY2014, 90% in FY2015, and 100% in FY2016 and beyond. The Bill would also permit the Council, upon request of the Executive, to approve a lower amount in the annual operating budget by a vote of at least 6 Councilmembers. This limited waiver provision would apply during the transition years and after the WFIS reaches 100% of the Maryland credit in FY2016. A memorandum from Councilmember Hans Riemer describing the purpose of the Bill and outlining some of the occupations of County residents who are likely to qualify for the WFIS is at ©4.

This packet contains:	<u>Circle #</u>
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Expedited Bill No. 8-13
Concerning: Working Families Income Supplement – Amount
Revised: March 13, 2013 Draft No. 2
Introduced: March 19, 2013
Expires: September 19, 2014
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmembers Reimer, Elrich, and Leventhal

AN EXPEDITED ACT to:

- (1) amend the amount paid to recipients under the Working Families Income Supplement Program; and
- (2) generally amend the Working Families Income Supplement Program.

By amending

Montgomery County Code
Chapter 20, Finance
Article XIV, Working Families Income Supplement
Section 20-79

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 20-79 is amended as follows:**

2 **20-79. Amount of Supplement.**

3 (a) Subject to subsection (b), [The] the amount of the Working Families
4 Income Supplement paid to each recipient must equal the amount of
5 any refund the recipient receives from the State earned income credit
6 program [[or another amount approved in the annual operating budget
7 or a Council resolution]].

8 (b) At the request of the Executive, the Council may approve a lower
9 amount in the annual operating budget by an affirmative vote of at
10 least six Councilmembers.

11 **Sec. 2. Transition.** Notwithstanding Section 20-79(a), as amended in
12 Section 1, the amount of the Working Families Income Supplement paid to each
13 recipient:

14 (a) must equal 80% of any refund the recipient receives from the State
15 earned income credit program in Fiscal Year 2014; and

16 (b) must equal 90% of any refund the recipient receives from the State
17 earned income credit program in Fiscal Year 2015.

18 **Sec. 3. Expedited Effective Date.**

19 The Council declares that this legislation is necessary for the immediate
20 protection of the public interest. This Act takes effect on July 1, 2013.

Approved:

21

Nancy Navarro, President, County Council

Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 8-13

Working Families Income Supplement - Amount

DESCRIPTION: Expedited Bill 6-13 would increase the WFIS to 80% of the Maryland credit beginning in FY 2014, 90% in FY 2015, and 100% in FY2016 and beyond. The Bill would permit the Council, at the request of the Executive, to approve a lower amount in the annual operating budget by a vote of at least 6 Councilmembers.

PROBLEM: Due to the economic recession, the County reduced the WFIS to less than 100% of the Maryland credit. The high cost of living in the County has made it difficult for lower income working families and individuals to meet expenses.

GOALS AND OBJECTIVES: To mandate in law that the WFIS must be 100% of the Maryland credit.

COORDINATION: HHS, OMB, Finance

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Robert H. Drummer, 240-777-7895

APPLICATION WITHIN MUNICIPALITIES: Not applicable.

PENALTIES: None.

Memorandum

Date: January 31, 2013

To: Council Colleagues

From: Councilmember Hans Riemer

Re: Legislation to restore the Working Families Income Supplement

I am writing to ask for your co-sponsorship of the attached bill, which would restore the county's Working Families Income Supplement (WFIS) to 100% of the level of the state's Earned Income Credit.

The impact of this bill is to provide badly needed income for our county's poorest residents, money that may be used to buy groceries or make a rent payment or repair a car.

The county's WFIS is derived from the federal Earned Income Tax Credit (EITC). Started in 1975, the EITC allows households earning income to apply tax credits to their returns. The credits are available to those with earned income ranging from \$13,980 (for single people with no children) to \$50,270 (for married couples with three or more children). The maximum federal credit is \$5,891.

The State of Maryland allows residents to claim half the federal credit on their state income tax returns. In 2000, Montgomery County began matching the state's credit to help working people meet the high costs of living here. But in 2010, the recession forced the county to reduce its tax credit at the very moment that working residents needed it the most. At the County Executive's request, the council passed Bill 33-10, which abolished the requirement in county law that the county match the state's credit dollar for dollar.

In FY11, the county cut its credit to 72.5% of the state's level. In the following year, the county cut its credit to 68.9% of the state's level. At the same time, the number of households who received the credit rose from less than 20,000 to more than 30,000.

In last year's recommended budget, the County Executive proposed to keep the county's tax credit at 68.9% of the state's credit, the same record-low level as last year. The council raised the county's match to 75.5%. But there is no assurance that the credit will ever return to the 100% match that the county was able to sustain for ten years. This bill will provide that assurance.

Recipients of the WFIS include some of the lowest-paid residents of the county. Following is a sample of occupations in the Bethesda-Rockville-Frederick metro area with annual wage payments that might qualify for the WFIS.

<u>Occupation</u>	<u>Annual Wages, 2011</u>
Fast Food Cooks	19,600
Dishwashers	19,700
Cashiers	22,320
Childcare Workers	22,890
Retail Salespersons	25,680
Janitors	26,640
Construction Laborers	28,360
Office Clerks	\$31,190

Source: U.S. Bureau of Labor Statistics.

WFIS recipients also reflect the county's diversity:

<u>Demographic</u>	<u>% of County Households</u>	<u>% of County Households with less than \$50,000 income</u>
White (Non-Hispanic)	57%	43%
Hispanic	12	19
Black	17	27
Asian	13	11

Source: U.S. Census Bureau, American Community Survey, 2011.

Due to our exceptionally high cost of living, these workers are barely able to make it in our county. The Maryland Community Action Partnership estimates that a single adult with a pre-schooler needs \$64,060 to be economically self-sufficient in Montgomery County.¹

What does the county's tax credit mean for working families? In FY11, the county had 33,840 WFIS recipients who received an average amount of \$381.81 each. A restoration of the county match to 100% would put an extra \$124 into the pocket of each recipient, for a total of \$505.81. For workers on the edge, that could mean making a car payment or paying an overdue utility bill, meeting rent or a car payment. Or consider that, as we participate in Councilmember Ervin's SNAP challenge, it would provide \$5 per day for 101 days.

The attached bill would raise the county's WFIS match to 80% in FY14, 90% in FY15 and 100% in FY16 and thereafter. Last year's committee staff packet estimated that each percentage point increase would cost the county \$187,500. Based on that estimate, I expect the county to pay an additional \$843,750 in FY14, \$2.7 million in FY15 and \$4.6 million in FY16 and thereafter. Now that the worst of our fiscal crisis is hopefully behind us, I believe that these are manageable expenditures for us as well as critical income to our county's working class.

I appreciate your consideration of this legislation and ask for your support and co-sponsorship.

¹ *The Self Sufficiency Standard for Maryland, 2012.* Diana F. Pearce, University of Washington School of Social Work. Prepared for the Maryland Community Action Partnership, 2012.