

A photograph of a woman's profile, looking towards the left. In the lower-left foreground, a dandelion seed head is visible, its white fluff contrasting with the warm, golden-yellow background.

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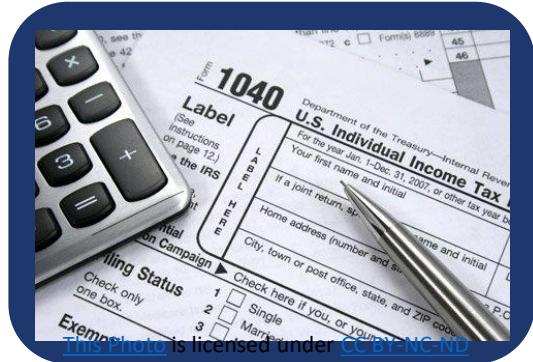


Tax Credit Expansions

Changes from federal and state legislation (ARPA & RELIEF Act)
2021

About the CASH Campaign of MD

The CASH Campaign of Maryland is a non-profit organization that promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH is an acronym that stands for Creating Assets, Savings, and Hope. CASH accomplishes its mission through operating direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability.



Free Tax Preparation



Financial Coaching & Education



Research & Advocacy



Practitioner Training

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American Rescue Plan Act

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American Rescue Plan Act (ARPA): Overview



The American Rescue Plan Act (ARPA) contains financial relief in the form of stimulus payments, tax provisions, expanded unemployment benefits, and more. Some of these changes applied retroactively, whereas others will go into effect next tax season on 2021 tax returns.

We will focus on:

- EITC Expansions
- CTC Expansions

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Federal Earned Income Tax Credit & ARPA

The federal **Earned Income Tax Credit (EITC)** is a unique tax credit that puts money back into the pockets of low-and moderate-income workers. ARPA included significant changes to the EITC for single filers without dependents. ***The changes are only for tax year 2021.***

Changes for Single Filers unable to claim Dependents:	2020	2021
Minimum and Maximum Age	Min: 25 Max: 65	Min: 19 Max: None
Maximum Credit	\$538	\$1,502
Phaseout Percentage Increase	7.65%	15.3%
Minimum Income for Maximum Credit	\$7,030	\$9,820
Ending Income	\$15,820	\$21,427
Disqualified Investment Income	\$3,650	\$10,000

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Federal Child Tax Credit & ARPA

The **Child Tax Credit, or CTC** is a tax credit for eligible taxpayers with dependent children. ARPA included significant changes to the CTC. *The changes are only for tax year 2021.*

CTC Changes	2020	2021
Dependent Eligibility	Max: 16 years old or younger	Max: 17 years old or younger
Maximum Credit	Max: \$2,000	\$3,000 per eligible child (17 or younger) \$3,600 per eligible child under 6 years old
Minimum Income Requirement	Min: \$2,500	Individuals with zero income can claim the CTC
Refundability	Max: \$1,400	Fully refundable
Payments	Received refundable portion with tax return	50% of the credit was issued as advanced periodic payments starting from July-December 2021 and the other 50% will be received on 2021 tax returns.

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Maryland RELIEF Act

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Maryland Earned Income Tax Credit

Like the Federal Earned Income Tax Credit, Maryland's Earned Income Tax Credit (MD EITC) is designed to put more cash in the pockets of low- and moderate-income Maryland workers. Claiming MD's EITC can mean owing fewer state taxes and potentially receiving an increased refund.

These changes applies to tax years 2020, 2021, and 2022.

	Pre-Expansion	Post-Expansion
Filers with Dependents	28%	45%
Single Filers unable to claim dependents	28%	100%
Access	Limited to filers with SSN	Expanded to include filers with ITIN

Note: The state issues extra EITC checks automatically if a taxpayer filed before the law was passed, so an amended return is not needed to match the increased EITC amounts.

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Maryland Child Tax Credit (CTC)

The Maryland CTC was established through legislation in 2021.

The tax credit will expire in tax year 2022.

Amount

- \$500 for each dependent

Eligibility

- Taxpayer must make under \$6,000
- Children under 17 AND
- Has as a disability

The credit is reduced by the amount of any federal CTC claimed for the child in the year.



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Impact of Expansions

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Impact of Federal Expansions



Through the EITC, CTC and other refundable tax credits had the 4th largest impact on reducing poverty in 2020.



A significant population that was affected was children. Nationally, due to the EITC and the CTC, 5.6 million people were lifted out of poverty, and 3 million of those people were children.



Last year, 390,000 households in Maryland received \$914 million in EITC funds.



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Impact of State Expansions

Millions of Maryland households receive EITC funds to supplement their income!

297,884 households received **\$163,987,602** in EITC funds in 2019.

\$160 million in additional EITC funds to Maryland households.

\$66 million to ITIN filers who've been left out of EITC and federal relief.

\$ 1 million to low-income families with children with disabilities through the CTC.



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Campaign Efforts

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Tax Credits for Maryland Families Coalition

CASH is co-leading the *Tax Credits for Maryland Families Coalition*, bringing together advocates from across the state around policy, outreach, and program needs related to the EITC and CTC.

What We Need From You

Client Stories from recipients of the state EITC:

- Filers who claim dependents
- Single filers unable to claim dependents
- ITIN filers

Service Provider Stories from organizations that provide free tax preparation services:

- Show the need for stronger infrastructure

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Questions?

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Thank You!



Robin McKinney
CEO/ Co-Founder



Francesca Jean-Baptiste
Director of Tax Partnerships

Stay in touch:
taxcommunications@cashmd.org

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