

The Maryland Refundable Earned Income Credit

1. This table shows how Maryland's refundable earned income credit reduces the tax liability of low-income workers with children, and how much more would be provided to low-income workers if Maryland increased its modest credit.
2. The federal refundable earned income credit is the nation's most effective anti-poverty policy targeted to children. The federal earned income credit lifts more than 2.5 million children above the poverty level.
3. Under current law, Maryland's refundable earned income credit is equal to 15 percent of the federal credit.
4. Because of the modest nature of Maryland's credit, the anti-poverty effect is negligible. Rather, the current Maryland credit is a mechanism for sharing tax relief with low-income families.
5. Proposals in the General Assembly (SB 166 in the Senate and HB 222 in the House of Delegates) would increase the refundable earned income credit to 20 percent of the federal credit. The chart below shows the effect of the proposed increase on the net tax liability of families and different income levels.
6. For more information, see *A Primer on Earned Income Credits in Maryland* at www.marylandpolicy.org.

Notes to the table:

Calculations show the net tax liability of families at various income levels. Numbers in () show the size of the refund provided by the refundable earned income credit.

\$10,300 represents full-time work at the minimum wage of \$5.15 per hour.

Bold text indicates the poverty-level income for that family for calendar year 2000.

All calculations are by the Maryland Budget and Tax Policy Institute.

**Impact of Refundable EIC Rates
And Fully Phased In Income Tax Changes
on the Tax Liability of Low and Moderate
Income Families**

(numbers in parentheses indicate the size of a family's refund)

TWO PARENTS, TWO CHILDREN

Income	Current Law EIC 15 Pct. TY 2001	Proposed Increase to 20 Pct. TY 2001
10,300	(601)	(802)
15,000	(422)	(602)
17,050	(259)	(418)
20,000	(24)	(152)
25,000	0	0

ONE PARENT, TWO CHILDREN

10,300	(581)	(782)
14,150	(389)	(578)
15,000	(321)	(502)
20,000	0	(51)
25,000	0	0

TWO PARENTS, ONE CHILD

10,300	(344)	(466)
14,150	(160)	(273)
15,000	(99)	(205)
20,000	0	0

ONE PARENT, ONE CHILD

10,300	(269)	(486)
11,250	(224)	(345)
15,000	0	(104)
20,000	0	0