



Maine Equal Justice
People Policy Solutions

126 Sewall Street
Augusta, ME 04330-6822
TTY/Voice: (207) 626-7058
Fax: (207) 621-8148
www.mejp.org

Ann Danforth
Policy Advocate
(207) 626-7058 x216
adanforth@mejp.org

**Comments on Behalf of Maine Equal Justice to the
Working Group to Review the Process of Ongoing Review of Tax Expenditures by the Legislature
October 22, 2021**

Good morning members of the Tax Expenditure Working Group. My name is Ann Danforth. I'm a Policy Advocate at Maine Equal Justice, a nonprofit legal aid provider working to increase economic security, opportunity, and equity for people in Maine.

Thank you for the work this group is doing to examine and make recommendations regarding the process for the ongoing review of tax expenditures by the Legislature. As you explore ways this process could be improved, we urge you to consider including take-up rates for individual programs (and particularly those geared towards people with low income) as a key measure of the program's effectiveness.

Importance of tax credits to people with low income and the state's economy

Refundable tax credits are increasingly becoming a key feature of our safety net and play a critical role in the economic security of Mainers with low income. For example, the Earned Income Tax Credit (EITC) is widely recognized as one of the best antipoverty programs for working families. The extra money provided by the EITC can help working people meet basic needs and maintain employment. The EITC has also been shown to improve health outcomes, educational outcomes, and future earning outcomes for children.¹ Furthermore, tax credits boost state and local economies as families spend their EITCs on purchases like cars and routine bills and expenses.²

These benefits and spending patterns are also reflected in the way people spent their stimulus payments, unemployment benefits from federal COVID relief, and are now spending their advance Child Tax Credit payments.^{3 4}

¹ <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>

² Ibid

³ <https://assets.aecf.org/m/blogdoc/spi-familiesandctc-ME-2021.pdf>

⁴ According to US Census data, among households that spent their stimulus checks, people most frequently spent it on things like food, rent, mortgage and/or utilities, household supplies and personal care products, and clothing. <https://www.census.gov/library/stories/2020/06/how-are-americans-using-their-stimulus-payments.html>

Similarly, refundable tax credits like the state Property Tax Fairness Credit (PTFC) and Sales Tax Fairness Credit (STFC) play an important role for Maine families, and also help make our tax system more equitable.⁵

Tax credits are not reaching those who need them most

While the benefits of refundable tax credits are clear, unfortunately, often they don't actually reach the people who need them the most.

In 2020, Maine Equal Justice participated in the Maine Working Group to Study the Consolidation of Payment of Cost-of-living Tax Credits. The group learned that many Mainers who are eligible for state cost of living tax credits, including the EITC, STFC, and PTFC are not receiving them. This is especially true when it comes to certain people eligible for the PTFC, which is a refundable credit for taxpayers whose property tax or rent exceeds a certain percentage of their income.

According to data provided by MRS, a rough estimate is that PTFC take-up is 60-70% among people who file a Maine income tax return, but drops to an overall take up rate of 45-55% when non-filers are also counted among the eligible. For homeowners in 2015, the ratio of PTFC claims to the estimated total eligible filers is about 66%; including non-filers drops this ratio to 46.4%. *Importantly, for renters in 2015, the ratio of PTFC claims to the estimated total eligible filers is about 42%; but when non-filers are included this ratio drops to 28%.*

We believe that one of the biggest reasons for low uptake rates among people eligible for tax credits – particularly state tax credits – is people's lack of awareness about their eligibility.

State should take responsibility for improving uptake rates

We strongly encourage this group to require an examination of take-up rate when evaluating tax expenditures. Whether the intended recipients are actually receiving the benefit is a critical measure of a program's effectiveness. Just as MRS has an obligation to collect taxes, it also has an obligation to ensure people are aware of and able to access tax credits for which they are eligible. In the same way that the State of Maine has implemented procedures to ensure that Mainers file taxes, the State should put into place procedures that ensure that Mainers receive the tax credits for which they are eligible.

As part of the review process, OPEGA could analyze tax credit take-up rates and suggest ideas for how the state could improve them. Exploring opportunities to improve take-up rates in this way is a worthwhile exercise and has been considered before but never acted on in full. For example, recognizing the role the Department of Health and Human Services (DHHS) could play in improving access to and uptake rates for low-income tax credits, a prior legislature directed DHHS (PL 1997, Chapter 530 Part A §17) to notify participants in ASPIRE – a program that helps TANF recipients find employment – about the federal EITC. In addition, in 2013, the legislature passed a budget that included a requirement that DHHS assist clients with the PTFC application.⁶ This latter requirement was never implemented in full.

⁵ <https://itep.org/whopays-map/>

⁶ P.L. 2013, ch. 368, § L-4

<http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP1079&item=44&snum=126>

Sec. L-4. Assistance with application. The Department of Health and Human Services shall add the property tax fairness credit established in the Maine Revised Statutes, Title 36, section 5219-II to the automated client eligibility system application processes to identify renters, persons with disabilities, low-income seniors and others who may be eligible for the credit but do not file an income tax return. The department shall develop a process to assist persons who are eligible for the credit with completing the necessary income tax forms to apply for the credit.

DHHS is in a unique position to help facilitate the application for low income tax credits, particularly for those people who are non-filers with low participation rates, given DHHS' existing role providing services and supports to low-income Mainers. DHHS is regularly in contact with over 300,000 individuals, many of whom are likely eligible for low-income tax credits, but may not be currently receiving them.

OPEGA could explore these and other opportunities to increase take-up rates for low income tax credits, thinking holistically and across state agencies about how to best reach low income filers who need the support the most.

Conclusion

Programs are only effective if they are known to and accessible to the people they are intended to benefit. Measuring take-up rates and developing and executing strategies to increase them will not only help improve people's economic security, but will also improve and stimulate the state's economy.

Thank you for the opportunity to submit comments, and I am happy to answer any questions you may have.