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News Release

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Comptroller Franchot Warns Taxpayers Collecting Unemployment Insurance to Plan Ahead

Loss of Earned Income Tax Credits leads to higher tax liability

ANNAPOLIS, Md. (November 18, 2020) - Comptroller Peter Franchot urges Maryland taxpayers who are collecting unemployment insurance to plan for the potential loss of Earned Income Tax Credits (EITC) that they would normally receive.

Unemployment insurance is taxable, but not included in the calculation for earned income tax credits, which could result in a forfeiture of the credits and potentially a higher tax liability. This could apply to both federal and state taxes.

For some taxpayers, the enhanced unemployment insurance benefits contained in the federal stimulus package may have provided more income than they normally earn. Although taxpayers can reduce their tax obligation by having taxes withheld from their benefit payments, many elect not to do so. Taxpayers claiming EITC may have had reduced tax liability or received large refunds in past years. Filers who report a greater annual income due to enhanced unemployment insurance payments may no longer be able to claim expected Earned Income Tax Credits.

Comptroller Franchot urges Marylanders to plan ahead for this potential change in total taxable income that may alter anticipated refund amounts.

"I advise Marylanders to prepare now for potential future tax changes," Franchot said. "This will avoid unpleasant surprises when filing and help mitigate any impact that losing those tax credits may have."

In Maryland, 413,000 households, or 15% of all tax filers, benefitted from earned income tax credits in tax year 2018. The average value of the EITC on federal taxes was \$2,356; the average value on state taxes was \$792. Since the average EITC beneficiary is most often a single head of household with one child, the credit is an important tool that helps lift people out of poverty.

For more information on earned income tax credits or other tax assistance, call 1-800-MD-TAXES or schedule an appointment at one of our [branch offices](#).

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