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Study Offers Alternative to Minimum Wage Plan

Earned Income Tax Credit Offers Md. Lawmakers Better Chance to Help Working Poor

ROCKVILLE, MD (February 5, 2014) — Raising Maryland's minimum wage to \$10.10 per hour is not the most effective way to help the working poor and could also hurt small businesses, according to a new report from the nonpartisan Maryland Public Policy Institute. The report, which can be viewed by [\[CLICKING HERE\]](#), shows that restructuring and expanding Maryland's Earned Income Tax Credit (EITC) would actually benefit more low-income households in Maryland without causing harm to small businesses.

"There is substantial evidence that raising the minimum wage weakens employment for low-income and new workers," said Thomas A. Firey, a senior fellow with the Institute and the author of the study. "Indexing the increased wage to inflation, as Maryland's legislative leaders have proposed, would be especially harmful to those workers' employment prospects. Instead, lawmakers should strengthen the EITC to give low income workers the biggest boost possible."

The Institute's report offers two alternatives to Governor Martin O'Malley's minimum wage proposal. They are:

Improve the Earned Income Tax Credit: The EITC provides tax credits to low-income, working families. The size of the credit increases as workers gain skills and begin earning better wages thereby rewarding workers for improving their earning power. The designs of both the Maryland and federal EITC limit their effectiveness in helping the working poor. The credits are small, especially for childless households. In Maryland, only a small portion of the credit is refundable, meaning that it does little to increase a worker's gross income.

Enact a hybrid EITC/minimum wage law: While not the preferred option, Maryland could also implement a higher minimum wage in some parts of the state and offer an improved EITC in other parts. The state could allow counties to voluntarily adopt one or the other, and future household income data in those counties would provide useful insight into which policy is more effective at improving public welfare.

About the Maryland Public Policy Institute: Founded in 2001, the Maryland Public Policy Institute is a nonpartisan public policy research and education organization that focuses on state policy issues. The Institute's mission is to formulate and promote public policies at all levels of government based on principles of free enterprise, limited government, and civil society. Learn more at mdpolicy.org.

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