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**March 17, 2021 Public Hearing Testimony before the
Connecticut General Assembly's
Finance, Revenue and Bonding Committee**

In support of

**Senate Bill 178: An Act Increasing the Applicable Percentage of The
Earned Income Tax Credit**

Distinguished Chairpersons, Vice-Chairpersons, Ranking Members, and Members, my name is Deb Polun, and I am the Executive Director for the Connecticut Association for Community Action (CAFCA), the state association that works with Connecticut's nine Community Action Agencies (CAAs), the state and federally designated antipoverty agencies serving nearly 200,000 low- and moderate-income people in all 169 cities and towns across the state.

I am writing to express our support for Senate Bill 178, *An Act Increasing the Applicable Percentage of The Earned Income Tax Credit*.

CAAs connect their customers to essential programs and services like employment and training, housing and shelter, energy and heating assistance, early childhood care and education, asset development, and food and nutrition. Through a holistic, comprehensive, multigenerational approach, CAAs work with those in need to plan, achieve, and maintain a realistic path to short and long-term economic self-sufficiency.

It is widely known that Connecticut has one of the highest levels of income inequality in the nation. According to CT Voices for Children¹, our state's economy also has an unjust distribution of income and wealth in general – especially by race – that has been increasing for decades. These factors slow down economic growth and adversely affect low- and moderate-income families.

The Earned Income Tax Credit (EITC), established by Connecticut lawmakers in 2011, is an effective way to help close the wealth gap and support the economy. It mirrors the federal EITC and provides working-class families with a refundable tax credit based on things like income, marital status, and number of children, and boosts their paychecks by offsetting their payroll taxes. In

¹ O'Brien PhD, Patrick R. and Curtis, Daniel. *Advancing Economic Justice Through Tax Reform*. CT Voices for Children (December 2020). Available at: <https://ctvoices.org/wp-content/uploads/2020/12/Advancing-Economic-Justice-Through-Tax-Reform-Just-Research.pdf>

2019, approximately 216,000 EITC claims were filed and \$485 million was put back into Connecticut's economy².

The EITC was set at 30% at its inception but has since decreased to 23%. SB 178 restores it back to 30%, something Connecticut's CAA Network strongly supports. There are several benefits to expanding the EITC. They include:

- Strengthening Connecticut's tax system.
- Helping families of color who have lower incomes and, on average, higher effective tax rates.
- Reversing a tax increase on working-class families because the rate has been at a low of 23% since 2017.
- Reducing poverty and contributing to economic growth.

We know first-hand just how important the EITC is to many of our customers who receive it. It is a proven, antipoverty tool that promotes positive health and educational outcomes for children and promotes long-term success as an adult.³ The EITC can only be obtained by those who earn income through work and is structured to encourage families to not only continue to work but to become economically self-sufficient. Finally, those who benefit from and use this credit also positively contribute to Connecticut's economy.

In closing, I strongly urge you to support S.B. 178. Thank you for raising this important bill and for your time and consideration.

²"Statistics for 2019 Tax Returns with EITC." Earned Income Tax Credit & Other Refundable Credits. IRS. Available at:

<https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-2019-tax-returns-with-eitc>

³ Thomas, Derek and Noonan, Ray. *Connecticut's Earned Income Tax Credit (EITC): In a Low-Wage Economy, the EITC is More Important than Ever*. CT Voices for Children (May 2017). <https://ctvoices.org/publication/connecticuts-earned-income-tax-credit-eitc-in-a-low-wage-economy-the-eitc-is-more-important-than-ever/>