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

Rhonda Evans, Interim Executive Director  
Connecticut Association for Community Action, Inc. (CAFCA)

*In support of HB 5040: An Act Establishing a Child Tax Credit Against the  
Personal Income Tax, HB 5044: An Act Establishing a Child Tax Credit  
Against the Personal Income Tax, and HB 5034: An Act Establishing a  
Child Tax Credit Against the Personal Income Tax*

Distinguished members of the Finance, Revenue and Bonding Committee:

Thank you for holding this public hearing today. The Connecticut Association for Community Action (CAFCA) is the state association that works with Connecticut's nine Community Action Agencies (CAAs), the state and federally designated anti-poverty agencies that provide a wide variety of services to nearly 200,000 low- and moderate-income people in all 169 cities and towns statewide. More information about Community Action Agencies is included at the end of this testimony.

CAFCA supports these bills, which would create a Child Tax Credit (CTC) against the personal income tax. Connecticut is one of the only states that does not adjust income tax for family size or child care expenses (*figure 1*), yet we know the high costs of raising a family in our state.

According to the United Way's ALICE (Asset Limited, Income Constrained, Employed) Report, a family with two adults and two children needs to work full-time at \$63/hour to afford to live here, up 18.2% from 2021 (*figure 2*). The report also found that nearly 40% of Connecticut residents are living below the ALICE threshold, unable to afford basic, essential needs.

A reliable child tax credit would put more money in families' pockets, allowing them the flexibility to buy necessities like food and clothing, put it toward their rent, mortgage, or child care costs, or even pay down debt. In fact, studies have also shown that credit card debt is mainly comprised of household expenses like utility bills, food purchases and child care.

Child tax credits are also an incredibly effective tool to reduce poverty. A few key points to note:

- The average cost to raise a child in Connecticut is \$16,990 a year, higher than the national average.
- The CTC works! When the federal CTC was expanded during the pandemic, over 238,000 families applied for the state rebate, helping to lift 33,000 children out of poverty in 2021.
- For every \$1 a family earns from CTC, \$1.38 is returned to their local economy.

And the CTC just doesn't improve the "now": long-term studies show that lifting low-income families' income when a child is young is associated with better health, more schooling, more hours worked, and higher earnings in adulthood.

Additionally, **it is critical that the CTC is permanent and fully refundable to support our lowest income households**, a population in which families of color are disproportionately represented (*figure 3*). Otherwise, families with little or no tax liability but who need the most financial support will not benefit at all. Research shows that these households consistently spend most of these funds to meet basic needs or improve their housing, health care, or nutrition.

This is a perfect storm for families who are working hard to get by. Connecticut is in a financial position to help. Pass a CTC that is permanent and fully refundable this session to ensure our families, the center of our community and workforce, can finally thrive.

But right now, we have an opportunity to ease the financial burden on parents and caregivers. Please pass a permanent refundable state CTC this session to help ensure our families can thrive.

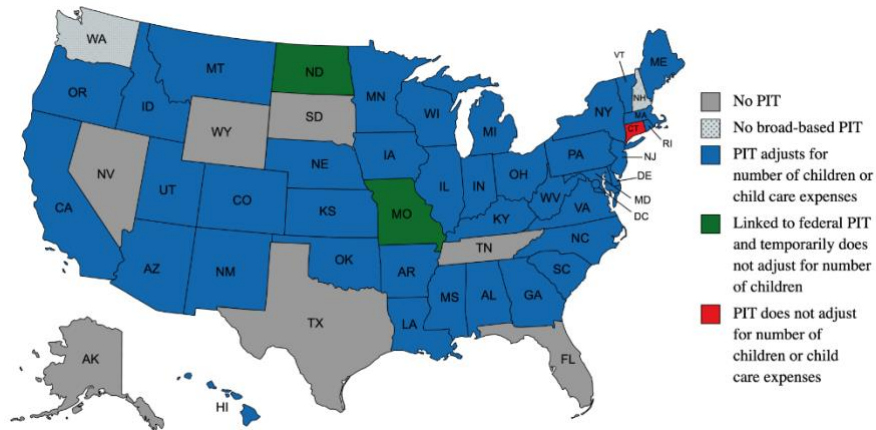
Thank you for your consideration of this important legislation and for your service to our state. Please feel free to get in touch with any questions at [rhonda@cafca.org](mailto:rhonda@cafca.org) or 860-305-2937.

***HB 5040: An Act Establishing a Child Tax Credit Against the Personal Income Tax and HB 5044: An Act Establishing a Child Tax Credit Against the Personal Income Tax***

While CAFCA supports all three bills, CAFCA strongly supports HB 5040 and HB 5044, which establishes a CTC against the personal income tax of \$2,000 per dependent child.

Figure 1

**State Personal Income Taxes (PIT) that Adjust for the Cost of Children**



CT Voices for Children, [Supporting The Economic Well-being Of Connecticut's Families And Children, 2024](#)

Figure 2

Connecticut Household Survival Budget 2021		
	Single Adult	2 Adults, 1 Infant, 1 Preschooler
Monthly Total	\$2,760	\$8,886
Annual Total (without tax credits)	\$33,120	\$106,632
Full-Time Hourly Wage*	\$16.56	\$53.32
ALICE Essentials Index		
Projected Connecticut Household Survival Budget 2023**		
Monthly Total	\$3,262	\$10,501
Annual Total	\$39,141	\$126,018
Full-Time Hourly Wage*	\$19.57	\$63

\*\*The ALICE Essentials Index measures change over time in the cost of the goods and services in the Household Survival Budget. The projected inflation may not align with actual increases in households' costs for each budgeted item and, over time, may prove to be too high or too low.

Connecticut United Ways, [ALICE in the Crosscurrents, 2023](#)

Figure 3

**Estimated CTC Distribution by Race/Ethnicity in Connecticut**

Group	Eligible Households in Connecticut	Aggregate CTC Amount	Percent of All Households Eligible	Percent of Households with Children Eligible
All Households	268,000	\$306M	21	75
White Non-Hispanic	140,000	\$159M	16	68
Latino (any race)	70,000	\$80M	40	91
Black	35,000	\$40M	30	88
Asian	13,000	\$15M	27	65
Other	8,000	\$9M	29	80

Source: DataHaven analysis (2024) of U.S. Census American Community Survey data for United Way of Connecticut

