



Senate

General Assembly

File No. 728

January Session, 2001

Senate Bill No. 1338

Senate, May 10, 2001

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CREATING AN EARNED INCOME CREDIT AGAINST THE PERSONAL INCOME TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) Any person who qualifies for and claims the earned
2 income credit allowable under Section 32 of the Internal Revenue Code
3 of 1986, or any subsequent corresponding internal revenue code of the
4 United States, as from time to time amended, for any taxable year shall
5 be entitled to a credit in determining the amount of tax liability under
6 chapter 229 of the general statutes for such taxable year. The credit
7 allowed under this section shall equal ten per cent of the credit allowed
8 under Section 32 of said Internal Revenue Code for the taxable year. If
9 the amount of the credit allowed under this section exceeds the
10 taxpayer's liability, the Commissioner of Revenue Services shall treat
11 such excess as an overpayment and shall pay the taxpayer the amount of
12 such excess, without interest.

13 Sec. 2. This act shall take effect from its passage and shall be

14 applicable to taxable years commencing on or after January 1, 2001.

FIN *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Loss, Cost

Affected Agencies: Department of Revenue Services

Municipal Impact: None

Explanation

State Impact:

The bill results in an annual General Fund revenue loss (increase in refunds) of approximately \$22.5 million beginning in FY 02. Based on the number of Connecticut resident returns that claim the federal earned income tax credit (EITC), approximately 141,000 returns would receive the state EITC.

The Department of Revenue Services is anticipated to incur costs of \$275,000 per year to administer the state EITC.

OLR BILL ANALYSIS

SB 1338

AN ACT CREATING AN EARNED INCOME CREDIT AGAINST THE PERSONAL INCOME TAX.**SUMMARY:**

This bill gives people who qualify for, and claim, the federal earned income tax credit a credit against their state income tax liability equal to 10% of their federal credit for the same income year. If the state credit exceeds the taxpayer's state income tax liability, the bill requires the revenue services commissioner to refund the difference to the taxpayer. Refunds must be treated the same as other income tax refunds, except that they are not subject to the 0.66% monthly interest payable on late tax refunds.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2001.

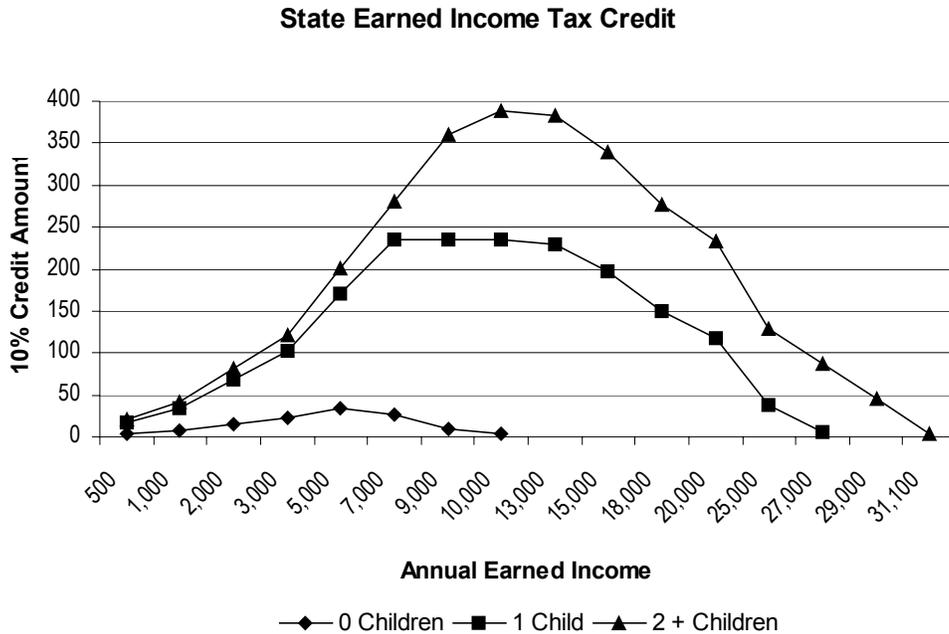
EARNED INCOME TAX CREDIT QUALIFICATIONS

Under federal law and this bill, people who work and earn incomes below certain levels qualify for credits. Credit amounts vary according to a taxpayer's income and the number of children he has. Income limits and credit amounts are adjusted annually for inflation (26 USCA § 32).

For the 2000 income year, taxpayers with no children receive a credit if their incomes are \$10,380 or less; taxpayers with one child, \$27,413 or less; and taxpayers with two or more children, \$31,152 or less. In addition, a taxpayer must have no more than \$2,400 in investment income and his filing status must be married filing jointly, head of household, qualifying widow(er), or single.

STATE CREDIT AMOUNTS

The graph below shows the state credit amounts under this bill for selected income levels for the 2000 income year. The maximum state credit would be \$35 for a taxpayer with no children and an annual earned income of \$4,600 to \$5,800; \$227 for a taxpayer with one child and an earned income of \$6,900 to \$12,700; and \$388 for a taxpayer with two or more children and an earned income of \$9,700 to \$12,700.



COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Report
 Yea 30 Nay 16