



CT Association For Community Action
555 Windsor Street, Hartford, CT 06120
860-560-5845 – www.cafca.org

**Testimony provided to the Human Services Committee
Public Hearing on Tuesday, February 27, 2007 regarding
SB 146 and HB 6649 in support of establishing a State Earned Income Tax Credit
Submitted by David MacDonald for the CT Association for Community Action, Inc.**

Senator Harris, Representative Villano, and members of Human Services Committee. My name is David MacDonald and I writing to you and your committee on behalf of the Connecticut Association for Community Action (CAFCA) and its twelve member Community Action Agencies in favor SB 146 An Act Creating the Earned Income Tax Credit against the Personal Income Tax and HB 6649 An Act Creating State Earned Income Tax Credit.

As the federally designated anti-poverty agencies, CAFCA and our twelve member Community Action Agencies are committed to reducing poverty and have stepped forward to work with the Child Poverty and Prevention Council on the state's goal to reduce child poverty by 50% by 2014.

In response to this laudable goal to reduce child poverty, CAFCA and our CAAs strongly support the enactment of a state earned income tax credit. The federal EITC is a proven approach to reducing poverty -- according to the U.S. Census Bureau, 4 million people were raised above the federal poverty line as a result of the EITC in 2003 and half of those raised out of poverty were children.

A state EITC would have the positive impact and reduce child poverty in Connecticut. If Connecticut is serious about reducing child poverty and the social and economic costs caused by child poverty, then this will be the year that Connecticut joins its neighboring states and enacts a State Earned Income Tax Credit for low-wage working families.

For working families with the lowest earnings, a state EITC combined with the federal EITC would raise their incomes over the poverty threshold. This proposal if enacted would only help low-wage earners meaning a family of four earning no more than \$38,000. A family could receive as much as \$900. This would encourage low-wage workers to work more and would make work pay for thousands of low-wage working people.

Research shows that families use the EITC for short and medium-term needs such as paying bills, purchasing durable goods such as appliances, and some are able to save their EITC and use it to develop assets such as attending college or saving towards the purchase of a home.

With proper planning and financial education, low-wage workers can leverage the EITC to help them permanently escape poverty. Connecticut's twelve community action agencies all provide volunteer income tax preparation services and Individual Development Accounts (IDAs), where participants save money and receive a match towards a home purchase, college education or starting a small business. Most of our IDA participants would not have been able to be successful in their efforts to build assets without the federal EITC and a state EITC would provide additional opportunities for low-wage working families to purchase assets and move out of poverty.

Finally, an Earned Income Tax Credit would be an effective economic stimulus tool. Low-income earners spend additional income quickly in order to meet their basic needs. Almost all of the money appropriated by this proposal would flow directly to Connecticut's cities and towns where families receiving the EITC would spend this additional income paying bills and making purchases in their local economy.

We urge your committee to pass SB 146 and HB 6649 and stimulate our urban economies, encourage work, and create more opportunity for self-sufficiency among Connecticut's low-wage working families.