

GREATER HARTFORD INTERFAITH COALITION FOR EQUITY AND JUSTICE



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Testimony before the Human Services Committee on February 27, 2007

CONNECTICUT EARNED INCOME TAX CREDIT

The Greater Hartford Interfaith Coalition for Equity and Justice (ICEJ) strongly supports S.B. 146 and H.B. 6649. ICEJ is coordinating a statewide petition drive in support of a Connecticut Earned Income Tax Credit (see attached). Over 20 allied groups have joined in this effort. We will deliver approximately 7,000 signatures to Governor Rell and to the Democratic and Republican legislative leaders immediately after our Clergy Press Conference on March 7.

Connecticut is our richest state. Yet, we also have the third largest gap between the top 20% and bottom 20% of income earners. Our low wage workers need help to make ends meet. The 10th percentile hourly wage is just \$8.21 (which converts to \$308 for a typical 37.5 hour work week and \$1,331 per month). The continuing rise in housing, medical care and other costs put these workers into an impossible bind. These workers simply can not make it without additional assistance!

Approximately 165,000 Connecticut households receive federal EITC benefits; the average credit is \$1,610. A 20% Connecticut credit would accordingly add another sorely needed \$322.

The EITC message is bipartisan. Our petition effort has received consistent support from folks at all different income levels. This was our experience when we gathered signatures on Election Day and when we gathered signatures within our congregations. The people we speak with appreciate the construction of the federal EITC program (i.e., paying a percentage of earned income). They would like to see a Connecticut supplement. Middle income and upper income earners understand that low wage workers should be helped when they are working as hard as they can. Each of our faith traditions teaches us that!

A Connecticut EITC will also address some of the regressiveness in our state and local taxes. According to the Institute on Taxation and Economic Policy, in 2002, the bottom 20% of workers earning up to \$21,000 annually paid more than twice the tax rate (income, sales, excise, and property) than the top 1% earning more than \$471,000 annually.

In closing, ICEJ believes that a Connecticut EITC is the optimal way to provide additional assistance to low wage workers. Each worker can appropriately decide the best use of the additional cash. Some will use the extra money to pay rent and utilities; some will use it to help finance a car or mortgage; others need help to enroll in courses. In all cases, low wage workers warrant financial assistance and respect.

Thank you for your consideration.

Reverend Jesse White II
President, ICEJ

Michael Winterfield
Co-chair (GHICEJ Education and Tax Equity Task Force)

Petition For A State Earned Income Tax Credit

To: The Governor, Lieutenant Governor, and All State of Connecticut Senators and Representatives

Connecticut Association for Human Services (CAHS), Greater Hartford Interfaith Coalition for Equity and Justice (ICEJ) and the undersigned respectfully ask the public officials of Connecticut to work together in a bipartisan manner to enact a Connecticut Earned Income Tax Credit equal to 25% of the corresponding federal EITC.

A state EITC would provide tax relief to hard-working, low-income families. It would help them close the gap between what they earn and what they need to make ends meet. In 2003, over 162,000 Connecticut households (10.1% of tax filers) received federal EITC benefits totaling over \$256 million; the average payment per household was \$1,578. A 25% Connecticut match would add another \$64 million (\$394 per household).

Within the Northeast, Connecticut is the only state with an income tax that does not have a state EITC. It is time for Connecticut to support working families. The federal EITC reduces child poverty for young children by nearly 25% - more than any other government program. A state EITC builds on the benefits of the federal EITC. A state EITC would relieve the regressive nature of sales and property taxes, and make Connecticut's system more equitable.

The EITC Has A History Of Bi-Partisan Support: Enacted in 1975 under President Ford, the EITC is supported by policy makers on both sides of the aisle. President Reagan called the EITC "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." Twenty-one state EITCs have been enacted with both Democratic and Republican governors.

Earned Income Tax Credits Stimulate The Economy And Provide A Vehicle To Build Assets: Families could use the state EITC refund to pay off debt, finance transportation to work, invest in education, buy basic necessities, or save as a first step to build assets and family economic security.

A state EITC simply piggybacks on the federal EITC. A state EITC would provide low-income working families with a refund matching 25% of their federal EITC return, even if they do not owe state income taxes.

All Communities Will Benefit From A State EITC: Working families with incomes up to \$38,348 qualify for the federal EITC, which would be the same threshold for a Connecticut EITC. The maximum federal credit equals 40% of the first \$11,340 of earned income (\$4,536). A state EITC matched at 25% of the federal credit would bring as much as \$1,134 to working families. About one in ten Connecticut tax filers claim the federal EITC. Eligibility rates range from 2-4% in our most affluent communities to 35% in Hartford.

RETURN PETITION TO: GHICEJ

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