

Testimony Supporting:

S.B. No. 146, *An Act Creating n Earned Income Tax Credit Against the Personal Income Tax*
and
H.B. No. 6649, *An Act Concerning a State Earned Income Tax Credit*

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To the Committee on Human Services
February 27, 2007

Members of the Committee:

I am testifying today as a Fellow of the Roosevelt Institution at Yale. The Roosevelt Institution is the nation's first student think tank, dedicated to connecting students' policy ideas to the public discourse. We are an organization that aims to support students in effecting progressive change in their communities. At the Yale chapter, we have over 60 students committed to finding solutions to the problems facing our community, state, and nation.

I strongly believe Connecticut should follow the example set by twenty other states and adopt a state supplement to the federal Earned Income Tax Credit. These twenty states have recognized the overwhelming success of the federal ETIC as a national anti-poverty program that helps America's working families by making work more rewarding.

In 2003, 157,759 tax filers in Connecticut received the federal EITC, representing nearly 5 percent of the state population. Since these two proposals would use federal qualifying standards to assess need, this same 5 percent of Connecticut's neediest workers would receive much-needed tax relief¹. A state EITC would also be particularly effective in combating child poverty, since 63 percent of Connecticut's 33,000 working families living in poverty have at least one working parent, all of whom would likely benefit from a state EITC².

A state EITC would help significantly to relieve poverty in urban areas. The city of Hartford has a poverty rate in excess of 30 percent, and New Haven is close behind with a poverty rate exceeding 24 percent³. An EITC is a proven way to provide relief directly to those who need it most.

Income inequality increased dramatically in Connecticut during the 1990s, and a state ETIC would help to reverse this trend. During the 1990s, the gap between Connecticut's wealthiest 20 percent and the poorest 20 percent grew faster than any other state. More importantly, the poorest 20 percent of Connecticut residents lost more real income in the 1990s, due to the fact that wages didn't keep up with inflation, than any other state, losing an average of 19.4 percent of purchasing power over this time period. This means the average family in this lowest income

bracket effectively had \$4672 less to buy food, clothes, and other necessities in 2000 than they did 10 years earlier⁴.

These are all problems which the Legislature must act to address. The two proposals for a state Earned Income Tax Credit represent the best available option to combating poverty across the state. We have seen ETICs work on the federal level, we have seen EITCs work in twenty different states, and with your votes, we can see an ETIC work in Connecticut.

Thank you.

¹ National Center for Children in Poverty. *Federal Earned Income Tax Credit (EITC) Participation and Spending*. State Earned Income Tax Credit. <http://www.nccp.org/policy_index_8.html>

² Geballe, Shelley. *A State Earned Income Tax Credit (EITC) Key Background*. Connecticut Voices for Children. March 8, 1999.

³ "State and County QuickFacts." US Census Bureau. 30 July 2006 <<http://quickfacts.census.gov/>>.

⁴ Hall, Douglas and Geballe, Shelley. *Pulling Apart in Connecticut: An Analysis of Trends in Family Income*. Connecticut Voices for Children. April 2002.