



State of Connecticut

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Testimony of Rep. Mary Mushinsky in Support of SB 163, An Act Concerning a State Earned Income Tax Credit

Before the Human Services Committee

P.H. Feb. 21, 2008

There are two good policy reasons to institute a state earned income tax credit (EITC). First, on the individual level, the earned income tax credit is a mechanism to encourage work, even low wage work, as honorable and a way to return to low income families a portion of the taxes they have paid through sales tax and property tax, or the portion of their rent that derives from property taxes.

Second, a state earned income tax credit, even a small one, will bring more federal dollars into the state's communities. It does this by educating low income wage earners to look for and claim the generous federal earned income tax credit. Connecticut residents collect less federal EITC in comparison to our neighbor states. One plausible explanation to this underperformance is the fact that other states in our region use a modest state EITC, which inspires taxpayers to recognize and claim the much larger federal EITC.

How large is the under collection? The Ct. Association of Human Services testified at one hearing of the Select Committee on Children that an additional \$16 million in federal funds per year could be collected if our citizens participated in federal EITC at the same rate as our neighbor states. If more Connecticut low income families knew about the credit with the help of a state EITC, our participation rate would be higher and \$16 million in federal EITC payments would be spent in our communities for housing, food, education, auto repairs and other family needs.

Both to help low-income working families and to help the state collect federal dollars, a state EITC should become law.