

5

Legal Assistance Resource Center of Connecticut, Inc.

44 Capitol Avenue, Suite 301 ♦ Hartford, CT 06106-1764
(860) 278-5688 ♦ FAX (860) 278-2957

Testimony of Ellen Small, MSW; LARCC/CABHN Coordinator
Human Services Committee
February 21, 2008

Good morning Senator Harris, Representative Villano, and members of the Committee. My name is Ellen Small. I am a social worker serving as an organizer for the Legal Assistance Resource Center of Connecticut and CABHN. Thank you for the opportunity to testify. I am here today in support of **Raised Bill No. 163 An Act Concerning a State Earned Income Tax Credit.**

Although as a social worker I have experience working with low-income individuals and families, I am not here today merely to report back to you the experiences of my clients, though their stories are certainly important. Instead, I am here today to tell you my own story. I am here because my mother wanted me to share with you the difference a state Earned Income Tax Credit made in the life of our family; the difference it made in helping her meet my needs as a child.

I grew up in the state of Indiana. When I was nine years old, my parents divorced. My mom suddenly faced the challenge not only of coping with the trauma of a divorce, but also the challenge of raising her little girl alone on an income of just over \$15,000 per year.

In addition to her day job as a children's librarian, she picked up part-time work at K-Mart in the evenings and delivering newspapers in the morning. My mother then had to find affordable child care so I would be cared for while she was working these various jobs. She had to purchase and maintain an affordable car so she would have reliable transportation to work. And, she had to find time between working multiple jobs and trying to spend time with me to go to the grocery store so that I would have food to eat.

Words cannot express the enormity of the sacrifices my mother made to take care of me, nor can they accurately express the pain parents who are impoverished or who are working poor experience in trying to meet even the most basic needs of their children.

Fortunately, my mom received something in return for her hard work; she received something to supplement the income she was generating that struggled to make ends. She filed for the federal Earned Income Tax Credit, and beginning in 1999, was able to file also for a state Earned Income Tax Credit in Indiana.

Indiana approved a state EITC in 1999, and it is currently 6% of the federal EITC. Indiana originally passed a state EITC under Democratic Governor Frank O'Bannon, but when it was set to expire in 2005, voted to extend it until 2011 under Republican Governor Mitch Daniels. Indiana currently faces a child poverty rate of 17% (Indianapolis Star, 2007). In 2004, 15% of Indiana residents filed tax returns claiming EITC (OLR, 2007).

My mom has asked me to share with you a few examples of how she spent the money she received through both the federal and state EITC. One of the most important uses for this money turned out to be car repairs and car insurance. She also needed this money for home emergencies, like when our hot water heater broke or we had extensive plumbing problems. There was no savings to draw from when these emergencies arose. We had to wait until there was money to fix things. The federal and state Earned

Income Tax Credit also proved vital in financing after-school child care for me until I was old enough to stay home alone. It also helped my mom purchase season-appropriate clothing for me at the beginning of each school year. And, unfortunately, there were times when money was so tight that the money she received through the Earned Income Tax Credits helped pay monthly expenses like utilities and rent.

A state EITC will make a tremendous difference in the lives of thousands of Connecticut's families:

- **A state EITC would build on the benefits of the federal EITC**, which reduces child poverty by 25%
- **A state EITC will reward hard-working parents and strengthen families.** Many of the low-wage earners filing for the federal EITC must work two to three jobs to make ends meet.
- **A state EITC will stimulate the Connecticut economy.** Families filing for the federal EITC struggle to provide their families often with basic necessities. Money received through the EITC is used almost immediately to meet urgent family needs. In tax year 2005, 173,000 Connecticut households claimed the federal EITC, returning \$286 million to low-wage earners and the local economy. A CT EITC, pegged at 20% of the federal credit, will put \$57 million back to the state's economy.
- **A CT EITC will benefit *working families earning up to \$40,000*.** Families could use the CT EITC to finance transportation to work, invest in education to increase social mobility, buy basic necessities, or to pay for health care. Depending upon income, working families could receive the federal maximum credit of \$4,716 and a maximum state credit of \$943.
- **A CT EITC will make our state tax system more equitable.** In Connecticut, workers at the bottom earning less than \$21,000 paid *more than twice the tax rate* (income, sales, excise, property) than the top 1% of workers earning more than \$500,000. A CT EITC will provide tax relief for the state's lowest earners.

My mom asked that I leave you with one final thought. She said, "I would have loved to have been able to save the money I received through EITC. But there was no choice. I had to spend it almost immediately on one emergency or another. I guess if you want to think of that as an economic stimulus, fine. To me it is just survival.

I urge you to support **Raised Bill 163 An Act Concerning a State Earned Income Tax Credit**. You will make a huge difference in helping to raise Connecticut's children and families out of poverty. They need your support on this. Thank you.

References

CT Office of Legislative Research. "State Earned Income Tax Credits. January 2007.

Evans, Tim. "Rate of Child Poverty Rising Faster in Indiana. *Indianapolis Star*. July 25, 2007.