



State of Connecticut
HOUSE OF REPRESENTATIVES
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February 21, 2008

Dear Colleagues:

I am writing to comment on SB1, *An Act Concerning Emergency Relief Plan for Connecticut Families through Tax Deductions*, or the establishment of a state Earned Income Tax Credit (EITC) program.

Congress established a federal EITC program during the early Reagan years. For income levels between \$1 and \$37,000, taxpayers receive checks for the amount of credit above taxes owed. The maximum federal credit is \$4,400. This program was started to help the working poor with rent, child care, and transportation at a time (prior to welfare reform in 1996) few other subsidies were available. Now there are many, especially in Connecticut.

SB1 proposes giving a check to poor working families up to 20% of the Federal credit with a maximum of \$880. One of the arguments for initiating a Connecticut EITC is to mirror the programs of our neighboring states.

However, there is a major difference between Connecticut and our neighboring states' tax laws. Connecticut exempts from taxation the first \$12,750 of income for singles and the first \$24,500 for married couples. Most families earning up to \$37,000 pay no or little income tax in Connecticut. New York and Rhode Island both begin taxing at the first dollar of income; in New Jersey income taxes begin at \$1,000 for singles and \$2,000 for married couples. Furthermore, all or most of these states have higher sales taxes than Connecticut does.

Additionally, Connecticut has many programs in statute to help low income working families. We have HUSKY insurance for all children up to 185% of poverty and their parents up to 150%; the state and the federal government offer prescription drugs assistance through ConnPACE, Medicaid and SAGA (Supplemental Aid for General Assistance); we offer rental and transportation subsidies, and home fuel cost assistance; job training, education programs and child care through our TANF (Temporary Aid to Needy Families) programs in Jobs First. Individuals on Social Security Disability (SSI) receive state subsidized monthly checks.

Estimated cost for an EITC in Connecticut would be \$55-60 million dollars annually out of the General Fund with additional administrative and service delivery costs. Before we approve such funding, especially in a budget crunch year, let us do what we can to ensure all eligible Connecticut families have applied for and are receiving their Federal EITC.

According to the latest budget figures, there are \$66 million dollars of federal funds left on the table each year. The Governor has suggested putting money in the budget to create an educational and outreach program so these families will apply to the federal program. I support that proposal.

Since our low income families already pay little or no income tax and we already support them with a variety of "help" programs, I am not convinced the EITC is the way to go. I would rather expand any of the above programs to include more families. Thank you for your consideration as we discuss this bill.

Respectfully submitted,



Lile R. Gibbons

State Representative-150th District