



Testimony submitted for the Human Services Committee
Submitted by the Community Renewal Team, Inc. on February 21, 2008

As the state's largest anti-poverty agency, Community Renewal Team works with thousands of families to strengthen and support them on their path to self-sufficiency. They come through our Family Service Centers, they enroll their children in our early childhood centers, they seek treatment at our behavioral health programs, they reside in our supportive housing units. Some are participating in our financial literacy programs and individual development account programs, working towards purchasing their first home. All of them are struggling financially – the working poor. Enacting a CT Earned Income Tax Credit will reward their hard works, strengthen the family units and stimulate the economy.

Low wage earners – many who work two and three jobs – struggle to make ends meet. The tax relief they receive from a CT EITC will be spent right in their local communities – a genuine reinvestment.

I am thankful that so many Connecticut legislators, in bipartisan manner, have pledged their support in passing a state EITC this year. Certainly the federal EITC has a history of bi-partisan support. Enacted in 1975 under President Ford, the EITC is supported by Republicans and Democrats. President Reagan called the EITC “the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.” Twenty-two states and the District of Columbia have enacted EITCs under governors from both parties. Connecticut is the only state in New England with an income tax that has not adopted a state EITC.

The benefits of a CT Earned Income Tax Credit will build upon the Federal EITC and provide benefits to all sectors of society.

The Federal EITC has proven to be the most effective way to raise children out of poverty.

- The Federal EITC reduces child poverty by nearly 25 percent. A CT EITC will build on the benefits of the federal EITC.
- In 2006, the state's capital city – Hartford – had the sixth-highest child poverty rate in the nation among cities with populations exceeding 100,000. An unacceptable 43.4 percent of Hartford's children were living in households below the federal poverty level.
- Three other Connecticut cities join Hartford on this unfortunate list: the 75 cities with the highest child poverty rates in the nation. We have Waterbury, at 33.5 percent; Bridgeport, at 29.5 percent; and New Haven, at 27.6 percent.
- Each year that a child spends in poverty results in a cost of \$11,800 in lost future productivity, figures over his or her working life. Approximately 86,000 of Connecticut's children live in poverty (10.7%). This means that Connecticut is projected to lose over \$1 billion in future productive capacity *for each year* that this number of children live in poverty.

A CT EITC Will Make Our State Tax System More Equitable.

- Taking into account the income, sales, excise and property taxes, Connecticut workers at the bottom of the income scale, earning less than \$21,000 a year, paid *more than twice the tax rate* as compared to the top 1% of workers, earning more than \$500,000. A CT EITC will provide tax relief for the state's lowest earners.
- Connecticut is the state with the third largest disparity in income. A State EITC will help reduce this growing divide.

The EITC Stimulates the Local Economy.

- In tax year 2005, 165,000 Connecticut households claimed the federal EITC, returning \$274 million to low-wage earners and the local economy. A CT EITC, pegged at 20% of the federal credit, will put an additional \$59 million back into the state's economy.
- At CRT income tax preparation sites, CRT staff completed 2,208 federal and state tax returns totaling \$5,660,590 in refunds, tax credits and tax prep savings. Of this, 41% (855) households qualified for the Earned Income Tax Credit for a total of \$1,255,320.
- Tax returns are completed at CRT Family Service Centers, where participants are informed about other community resources and encouraged to take advantage of the financial literacy workshops, trainings and individual development account programs.

A CT EITC Will Benefit Working Families Earning Up to \$40,000.

- Families could use the CT EITC to pay off debt, finance transportation to work, invest in education, buy basic necessities, pay for health care, or save to build assets. Depending upon income, working families could receive the federal maximum credit of \$4,716 and a maximum state credit of \$943.

The EITC is a tax expenditure

- Therefore, it is not subject to the constitutional spending cap. It is a bold, but affordable step that lawmakers can take to spur job growth, stimulate economy and reduce poverty.

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