



THE ROOSEVELT INSTITUTION

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Testimony Supporting:

S.B. No. 163, *An Act Concerning a State Earned Income Tax Credit*

Testimony of Gregory Geusic
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To the Committee on Human Services
February 21, 2008

Members of the Committee:

I am testifying today as Policy Director of the Roosevelt Institution at Yale. The Roosevelt Institution is a national network of student think tanks, bringing together students at over 70 campuses around the country to conduct public policy research and analysis on the problems facing their communities. At the Yale chapter, we have over 70 students committed to addressing local, state, and national policy problems on a wide range of topics. As part of our work, several Roosevelt fellows conducted a 2006 study on the impact of a state EITC on Connecticut, which will serve as the basis for my testimony.

I strongly believe Connecticut should follow the example set by twenty-three other states and adopt a state supplement to the federal Earned Income Tax Credit. In deciding to adopt state EITCs, these twenty-three states recognized two key facts. First, the EITC has been an overwhelming success in providing poverty relief to working families in America. Second, the federal EITC has not kept up with the needs of working families, but Washington gridlock has prevented Congress from acting. As a result, the states have a responsibility to act, and nearly half of them have met the challenge and delivered relief to their citizens.

In 2003, 157,759 tax filers in Connecticut received the federal EITC, representing nearly 5 percent of the state population. Since this proposals would use federal qualifying standards to assess need, this same 5 percent of Connecticut's neediest workers would receive much-needed tax reliefⁱ. 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 EITCⁱⁱ.

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 earlierⁱⁱⁱ.



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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 percent^{iv}. An EITC is a proven way to provide relief directly to those who need it most. Furthermore, these low-income urban areas have been particularly hard-hit by recent economic hardships, including rising home foreclosures and increasing home energy costs. These new challenges only reinforce the immediate need for relief for working families, and a state EITC is the most effective way to provide this relief.

Over the past 33 years, the federal EITC has proven itself as a remarkably successful tool for fighting poverty and providing much-needed relief for America's working families. Given the many challenges facing working families in Connecticut, a state EITC represents the best option to providing tax relief and putting money directly into local economies. Twenty-three states have recognized the importance of such a program, and I strongly hope that Connecticut will do the same.

Thank you.

ⁱ 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>

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

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

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