



**Testimony, AARP Connecticut  
On S.B. 163, An Act Concerning A State Earned Income Tax Credit  
Human Services Committee  
February 21, 2007**

Chairmen Harris, Villano, Ranking members Kissel and Gibbons and members of the Human Services Committee, with the support of our 39 million AARP members nationwide, including over 625,000 in Connecticut, AARP believes that lifetime financial security is the cornerstone of the American Dream. That's why we are pleased to testify today on S.B. 163, An Act Concerning A State Earned Income Tax Credit.

AARP strongly supports the creation of a state Earned Income Tax Credit (EITC) as outlined in S.B. 163. The EITC is a successful federal program that assists the working poor, and AARP supports extending a similar credit against state income taxes for anyone who qualifies for the federal EITC.

S.B. 163 would establish a state Earned Income Tax Credit (EITC) that is both simple to administer and easy for tax filers to claim. The bill establishes a fixed percent—in this case 20 percent—on the federal credit, which allows Connecticut to “piggyback” on the Federal EITC and take advantage of the federal statutory structure already in place.

Moreover, AARP supports EITCs that are designed as “refundable,” meaning that a family receives the full credit even if that credit exceeds the family's state income tax liability. Where the credit is higher than the person's state income tax liability, the excess credit would be treated as an overpayment and paid out to the tax filer as a refund.

Other states that have enacted EITCs have done so with broad bipartisan support. EITCs have been enacted in states led by Republicans as well as states led by Democrats. State EITCs are effective policy tools that reduce poverty among workers with children and complement welfare reform by helping low-wage workers support their families as they leave public assistance. Just last year three more states, North Carolina, Louisiana, and New Mexico, added a state EITC bringing the total number of states with an EITC to 22 plus the District of Columbia. This represents over half of the 41 states with state income taxes.

A state EITC would help offset the effects of sluggish wage growth for low-income families in Connecticut that struggle with soaring gas prices, the highest electric rates in the Continental United States and rising costs for other basic necessities. AARP urges the General Assembly to pass a “refundable” Earned Income Tax Credit to help Connecticut's working families. Please support S.B. 163.