

Testimony before the Human Services Committee Public Hearing on February 21, 2008

CONNECTICUT EARNED INCOME TAX CREDIT

For the past three years, The Greater Hartford Interfaith Coalition for Equity and Justice (GHICEJ) has been advocating for a Connecticut Earned Income Tax Credit equal to 20% of the corresponding federal EITC.

During the last legislative session, GHICEJ coordinated a statewide petition drive in support of a state EITC. GHICEJ and its allies delivered over 8,200 signatures to Governor Rell and to the Democratic and Republican legislative leaders. The EITC message is bipartisan. Our petition effort received consistent support from folks at all different income levels. The people we spoke with appreciated the construction of the federal EITC program (i.e., paying a percentage of earned income). They would like to see a Connecticut supplement.

There are two compelling realities that underpin our advocacy work:

- Low wage workers *need* help!
- Low wage workers *deserve* help!

We are pained by our income disparities! Connecticut is our richest state. Our average per capita income is running at over \$52,000 for every man, woman and child. Yet, we also have the third largest gap between the top 20% and bottom 20% of income earners. Our low wage workers need help to make ends meet. The 10th percentile hourly wage is \$8.12 per hour (which converts to just over \$1,300 per month for a typical 37.5 hour work week). How can you support a family on \$1,300 per month?

In 2005, approximately 173,000 Connecticut households received federal EITC benefits totaling \$286 million; the average credit was \$1,653. A 20% Connecticut credit would accordingly add another sorely needed \$331. Approximately 35% of Hartford families would qualify.

Low wage workers deserve this help. We must get beyond class distinctions and value the *work ethic* and *judgment* of all members of our work force. \$1,000 per hour corporate executives work hard; \$25 per hour middle income folks work hard too; and so do our \$8 per hour service workers. Many \$8 per hour workers hold down a full-time job and a part-time job to keep afloat.

The point is that all of our workers help to make America great. Once we do that, we can start talking about tax relief for *both* low income and middle income workers. We all too often forget about the low income group.

A Connecticut EITC will also address some of the regressiveness in our state and local taxes. According to the Institute on Taxation and Economic Policy, in

2002, the bottom 20% of workers earning up to \$21,000 annually paid more than twice the tax rate (income, sales, excise, and property) than the top 1% earning more than \$471,000 annually. The comparison was 10.2% versus 4.4%. (These figures are net of federal tax offsets for itemized deductions.)

In closing, GHICEJ believes that a Connecticut EITC is an optimal way to provide additional assistance to low wage workers. Each worker can appropriately decide the best use of the additional cash. Some will use the extra money to pay rent and utilities; some will use it to help finance a car or mortgage; others need help to enroll in courses. In all cases, low wage workers warrant financial assistance and respect.

Thank you for your consideration.

Michael Winterfield
Chair (GHICEJ Issues Committee)