



State of Connecticut
Latino and Puerto Rican
Affairs Commission

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Testimony Supporting:

SB 1007 “*An Act Concerning the Governor’s Recommendation on Revenues, which calls for A 30% Refundable State Earned Income Tax Credit.*”

To the Committee on Finance, Revenue and Bonding

March 7, 2011

Dear Senator Daily, Representative Widlitz and Members of the Committee:

The Latino and Puerto Rican Affairs Commission strongly encourage you to pass SB 1007, an Act Concerning the Governor’s Recommendation on Revenues, which calls for a 30% refundable state earned income tax credit. Your favorable action on this bill would benefit Connecticut’s families and children living below the poverty level despite the fact that the parents may be employed.

The impact of favorable action on this bill would be immediate and the benefits would serve as stimulus for Connecticut’s economy and the communities in which low income families and children live. Families would have an opportunity to spend EITC funds within their community stores, on utilities as well as rents which directly impact corporate and community businesses as well as state landlords.

In this day and age, when Connecticut suffers one of its largest budgetary deficits, low income families are also being affected despite working many long hours to attempt to make ends meet. Many of these families are of Hispanic and African American descent. We are here to advocate on their behalf and encourage



each of you to allow these families to gain economic ground lost in the past 20 years. You would reward families who are already working hard and spur them to maintain employment. The EITC would also assist families in becoming self-sufficient.

The EITC would help make Connecticut's tax system more equitable because Connecticut's income tax does not adjust for family size and additional costs of child-rearing. (Jan 2006 Legislative Program Review and Investigations Committee Report) Based on the precedent set in the treatment of refundable R&D credits for businesses, the refundable portion of the EITC (that which exceeds the family's income tax liability) is an adjustment to revenue rather than an appropriated expenditure. (Section 38 of PA 99-173)

We agree with Mr. Caban's assessment of the EITC as an effective anti-poverty policy for the fact that it encourages people to seek employment, puts money back into their pockets, boosts their neighborhood local economy, and has an impact on reducing child poverty. (Op-ed Page Article in CT Mirror dated Mar 2, 2011 by Mr. Luis Caban, President of the CT Assn for Human Services and Executive Director of SINA, Inc.) Additionally, the return to the economy of EITC funds also favorably impacts CT's corporate and small business and individuals in the form of utility and rental payments.

The federal tax credit was created under President Gerald Ford and increased under Presidents Reagan and Clinton. Families with children with an annual income below \$21,500 qualify for a maximum federal credit of \$5,666. Those same families in CT filing the proposed state EITC would benefit from the maximum



30% credit of about \$1,700. The credit phases out for families earning \$48,000. Eighty five (85) percent federal EITC benefits goes to families living at less than twice the poverty level research shows. Thus, this is a very effective tool in delivering benefits where they are most needed.

We are all aware that Connecticut is one of the wealthiest states in the nation. It is important, therefore, to ensure that those families who are currently struggling more than most and who live at or below the poverty level be:

Given every opportunity to gain ground; Have a chance to provide for their dependent children; and, be able to achieve a measure of self-sufficiency they would not otherwise be able to have.

Research shows that passing this critical legislation on behalf of those with very little means of gaining ground otherwise will:

- 1) Stimulate Connecticut's economy;
- 2) Spur immediate spending on the part of low income families;
- 3) Generate business for small and corporate entities in the state;
- 4) Assist landlords who are also hurting due to the housing downturn;
- 5) Spur low income wage earners to maintain current and/or join the labor market; and, more importantly,
- 6) Reduce child poverty

All of Connecticut's neighboring states have an EITC, Connecticut should not lag behind.



Please help those families and children who rely on Connecticut's policymakers to help make life a little more tolerable and livable for them and their children. Passing SB 1007 is one prudent and equitable way of doing right by these struggling families at a time when the cost of living rate is unprecedented and difficult for even the middle income families of the state.

We urge you to pass SB 1007 on behalf of Connecticut's low income families and children many of whom are members of our constituency.

Thank you for the opportunity to present this testimony today.

Prepared for the LPRAC by Lucia Goicoechea-Hernandez, Special Projects Director & Grants Writer.