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MAJORITY LEADER

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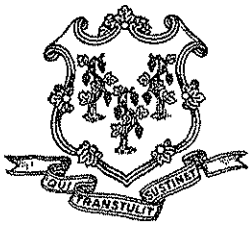

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Good morning Senator Daily, Representative Widlitz and members of the Finance, Revenue and Bonding Committee. I am here to testify in support of SB 1007, An Act Concerning the Governor's Recommendations on Revenue and specifically the provision which creates a state Earned Income Tax Credit (EITC).

I have long been an advocate for a refundable state EITC in Connecticut because it would represent a positive step toward closing the vast gap between Connecticut's affluent and poorest citizens, particularly children. Since the creation of this federal credit with bi-partisan support during the administration of President Gerald R. Ford in 1975, the Federal EITC has proven to be an effective strategy for raising children out of poverty by targeting assistance to low-income working families. The EITC recognizes that low-income parents who are committed to the workforce face challenges and hardships proportionately greater than those faced by higher paid workers. An EITC would reduce the number of Connecticut children who live in poverty. I support the EITC for three primary reasons: it would help working families to become more self-sufficient; it

would enhance the fairness of Connecticut's tax code; and it would provide an effective stimulus for the Connecticut economy.

Low-income workers face the same childcare expenses as those who earn higher wages, but the higher paid workers often receive a tax credit for these expenses. Low-income workers do not receive financial assistance with childcare costs because they often do not have income tax liability. An EITC would be consistent with the reform of our public assistance system and will aid families as they make the transition from cash assistance to economic self-sufficiency. This economic self-sufficiency should be a goal for our state both because it is good for these citizens and because it is good for the Connecticut economy.

Despite having no income tax liability, these families in fact pay a disproportionate share of their incomes in more regressive sales and property taxes. These low-income workers truly need more assistance than their higher paid colleagues, but unlike all of our neighboring states, we currently do not offer them this help which would allow them to approach a better standard of living.

The EITC provides additional funds to low-income workers for their essential needs. Thus, it puts cash in the hands of people who will spend the money locally, thereby contributing to the local economy. EITC funds are not spent on luxuries but on pressing needs like car repairs, work clothes, children's clothing and medical care. The EITC is a smart investment in Connecticut families. At a time of economic downturn, a state EITC would serve as a significant stimulus by enhancing the buying power of residents of every

community in Connecticut, especially to those cities and towns with large numbers of low-income working families. It is estimated that the Federal EITC is claimed by 203,716 Connecticut residents and returns $396,124,029 to our state.

I was proud to have gained committee approval of a state EITC when I served as co-chair of the Finance, Revenue and Bonding Committee, but regret that it has not yet become law here as it has with bipartisan support in a number of states including our neighbors, New York, New Jersey, Massachusetts, Rhode Island, and Vermont.

I am extraordinarily pleased that our new governor has proposed the creation of a state earned income tax credit at 30% of the Federal Earned Income Credit as a refundable credit targeted to the working poor. This legislation recognizes that lower income people pay substantial taxes to the state primarily through the sales tax, although they may not have income tax liability due to the progressive structure of exemptions under our state income tax. We will help both deserving individuals and the state economy when we take this reasonable step to support and assist hard-working struggling families.