



Testimony on HB 5626
AN ACT CONCERNING THE EARNED INCOME TAX CREDIT
Finance, Revenue and Bonding Committee March 18th, 2016

Senator Fonfara, Representative Berger, and distinguished members of the Committee:

Thank you for the opportunity to testify. My name is Merrill Gay and I am the Executive Director of the Connecticut Early Childhood Alliance, a statewide membership organization committed to ensuring that all children in Connecticut are healthy, safe and ready for lifelong success.

I am here today to testify in support of HB5626. The Earned Income Tax Credit (EITC) is the best anti child-poverty program that we have in Connecticut. Combined with the federal EITC and child tax credit, it lifts thousands of children out of poverty every year. That is important because one out of every seven children in Connecticut lives in poverty. Among children under age six, 18%, or almost one out of five, is living in poverty.

Poverty in early childhood has a profoundly negative impact on child development. Families in poverty live with substantially more day to day stress in their lives than the rest of us. That additional stress negatively impacts physical health, mental health and parenting practices.

Last year, the average Connecticut Earned Income Tax Credit was \$472. That may not seem like a huge amount of money, until you consider that the average household income for the families receiving the credit was just \$17,732. These families are getting by on less that \$1,500 a month. That means that a \$472 tax credit is more than a week's pay for these families. That has an enormous impact.

The EITC encourages work and makes Connecticut's tax code fairer for low income working families. There are a few ways that it could be improved. That is what this bill is about. It would have the Department of Revenue Services study ways to reduce the cliff effect when someone gets a small raise. Sometimes that small raise results in a larger loss of the tax credit. Additionally, the bill would have the department examine the possibility of paying the credit monthly rather than in a lump sum refund annually. In a very bleak budget environment, this is a no-cost bill that may give you some ideas how to improve what is already our best anti poverty program.

I urge you to support this bill and would be happy to answer any questions.