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PCSW

Permanent Commission on the Status of Women

The State's leading force for women's equality

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**Testimony of
Permanent Commission on the Status of Women
Submitted to the
Finance, Revenue and Bonding Committee
March 18, 2016**

Re: H.B. 5626, An Act Concerning the Earned Income Tax Credit

Senators Fonfara and Frantz, Representatives Berger and Davis, and distinguished members of the Finance, Revenue and Bonding Committee, thank you for this opportunity to provide testimony on behalf of the Permanent Commission on the Status of Women (PCSW) on H.B. 5626, An Act Concerning the Earned Income Tax Credit.

The Connecticut Department of Revenue Services' Earned Income Tax Credit (EITC) makes the state tax code fairer for low-income families. The Connecticut EITC, coupled with the federal Earned Income Tax Credit, is a strong tool for promoting work and helping workers with children escape poverty and obtain self-sufficiency. In 2012, 222,000 Connecticut families received the federal EITC; and between 2011 and 2013, it is estimated that 69,000 Connecticut residents –including 35,000 children – were lifted out of poverty by the federal EITC and the Child Tax Credit.ⁱ In addition, it has been found that EITC expansions of the 1990s was the most important factor in explaining why female family heads increased their employment rates between 1993 and 1999.ⁱⁱ

In 2015, PCSW released a report entitled *The Self-Sufficiency Standard for Connecticut, 2015*. The Self-Sufficiency Standard is a measure that describes how much income families of various sizes and composition in each region of Connecticut need in order to make ends meet without any private or public assistance. The Self-Sufficiency Standard recognizes that, for most workers in Connecticut, even earnings above the official Federal Poverty Level are still far below what is required to meet most families' basic needs. One component used in calculating the Self-Sufficiency Standard for various families in Connecticut is both the state and federal Earned Income Tax Credits – demonstrating the substantial impact that these credits have on the financial security of many working families.ⁱⁱⁱ

H.B. 5626 would require the Department of Revenue Services to study possible changes to the state EITC, including the implementation of a monthly payment system as opposed to the current annual lump-sum that eligible families receive. The proposed legislation would also require the study of implementing a graduated schedule so that individuals will remain eligible for the credit even upon small increases in pay. PCSW looks forward to the findings of these studies so that the state can ensure that the EITC is benefitting Connecticut families in the best ways possible.

PCSW supports this legislation and applauds any effort to study ways to improve the economic well-being of Connecticut residents. We thank you for your consideration of this important issue that greatly impacts the short and long-term economic security of many Connecticut women and families.

ⁱ Center on Budget and Policy Priorities, Connecticut Fact Sheet: Tax Credits Promote Work and Fight Poverty, 24 February 2016

ⁱⁱ National Bureau of Economic Research, Welfare Transitions in the 1990s: The Economy, Welfare Policy, and the EITC
<<http://www.nber.org/papers/w9472.pdf>>

ⁱⁱⁱ Diana Pearce and the Permanent Commission on the Status of Women, The Self-Sufficiency Standard for Connecticut, 2015
<<https://ctpcsw.files.wordpress.com/2010/07/the-self-sufficiency-standard-for-connecticut-2015.pdf>>