



**March 18, 2016 Public Hearing Testimony before the
Connecticut General Assembly Finance, Revenue and Bonding Committee**

HB 5626: An Act Concerning the Earned Income Tax Credit

Distinguished Chairpersons, Vice-Chairpersons, Ranking Members, and Members of the Finance, Revenue and Bonding Committee, my name is Edith Karsky and I am the Executive Director of the Connecticut Association for Community Action (CAFCA). **I would like to voice our strong support to require the Department of Revenue Services (DRS) to study the income limits applicable to the Earned Income Tax Credit (EITC) and personal income tax refund distribution for recipients of such credit.**

By way of background, CAFCA is the umbrella organization for the state's ten Community Action Agencies (CAAs), the state and federal designated, antipoverty agencies serving all 169 cities and towns. Connecticut's Community Action Network provides holistic, evidence-based and culturally appropriate services to help people meet basic human needs such as food, shelter, heating assistance, job training, child care, and asset development to the state's limited income communities. We provide these services utilizing a multigenerational, customer-focused, integrated service delivery system called the Human Services Infrastructure (HSI). We also utilize a Results Based Accountability (RBA) framework to report outcomes and collaborate across silos with state government and other nonprofit providers and businesses to help support individuals and families to reach their full potential, avoid financial crisis, and work towards economic sustainability. We provide support, assistance and renewal for residents in need when other support services have ended and, in doing so, we serve more than 347,000 people annually in each and every part of the state.

H.B. 5626 proposes that DRS look into the following possible changes to the EITC: 1) a graduated schedule that reduces cliffs; 2) spreading the EITC refund monthly rather than distributing as a lump sum; and, 3) changing monthly EITC payments so that a pay increase does not reduce a recipient's overall income. These modifications would greatly benefit those receiving the credit and improve the structure of the EITC process, making it a more powerful tool to help reduce the causes and conditions of poverty in Connecticut while at the same time creating opportunity for those who need it most.

Our CAAs know first-hand just how important the EITC is to many of our customers who receive it. Our network aims to provide families facing financial difficulties with the tools and skills and needed for economic success, fiscal stability and child well-being, and the EITC continues to be an important factor in this process. Established by Connecticut lawmakers in 2011, more than 180,000 families utilized the state EITC in its first full tax year. On average, these families had gross incomes of about \$18,000 and were able to receive approximately \$600 from the EITC. The credit can only be obtained by those who earn income through work, and it is structured to

encourage families to not only continue to work, but to rise out of poverty and become economically self-sufficient.

The EITC is a proven anti-poverty tool that makes a big difference in the lives of many and positively contributes to Connecticut's economy. CAFCA and our CAA network are grateful to Governor Malloy and the legislature for their continued support of the EITC over the past few years. We hope that our testimony today highlighted the importance of the EITC for limited income families across Connecticut, and will help this proposed study come to fruition.

Thank you for your time and consideration, and I can be reached directly at Edith@cafca.org and at (860) 832-9438 ext. 2205.