



Testimony of

**Sal Luciano, President
Connecticut AFL-CIO**

Finance, Revenue & Bonding Committee
March 17, 2021

SB 178 An Act Increasing the Applicable Percentage of the Earned Income Tax Credit

HB 6633 An Act Restructuring Unemployment Insurance Benefits and Improving Fund Solvency

Good morning and Happy St. Patrick's Day Senator Fonfara, Representative Scanlon and members of the Finance, Revenue & Bonding Committee. My name is Sal Luciano, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 220,000 members in the private sector, public sector, and building trades. Our members live and work in every city and town in our state and reflect the diversity that makes Connecticut great. Thank you for the opportunity to provide testimony.

SB 178 An Act Increasing the Applicable Percentage of the Earned Income Tax Credit - SUPPORT

It is a sad distinction that Connecticut leads the nation in income inequality, leaving the poorest residents to deal with education gaps, health disparities, unattainable home ownership and other hardships. The coronavirus pandemic-induced recession has exacerbated the pain. This crisis is greater and felt more widely than the Great Recession. Vulnerable populations who struggled to make ends meet before the pandemic now battle just to survive.

Connecticut's tax code is extremely regressive. The bottom 50% of income earners in Connecticut pay an effective tax rate triple that of what the top 1% pay. This has the effect of exacerbating the already extreme levels of income and wealth inequality, with an even more disproportionate effect on working class people of color. To lower the tax burden on working- and middle-class families, we support efforts like SB 178 which expand the earned income tax credit (EITC). By reducing taxes on working families, expanding the EITC would make the overall tax structure more progressive, put money into the pockets of those who need it most, and strengthen the economy through additional spending.

Connecticut currently offers a refundable EITC at the rate of 23% of the federal EITC. SB 178 returns the credit level to 30%, the same as it was in 2011 when the state EITC was enacted. We respectfully suggest that the Committee could do even more for working families by further expanding the state EITC to 50% of the federal EITC and extend it to include taxpayers who file with an ITIN, as SB 821 and HB 6187 do.

We urge the Committee to support this bill.

HB 6633 An Act Restructuring Unemployment Insurance Benefits and Improving Fund Solvency - CAUTION

The COVID-19 pandemic has reminded us just how important unemployment benefits are to sustain families and keep economies running during times of economic hardship. The pandemic has also exposed holes in our unemployment safety net. We failed to heed the lessons of the Great Recession and now we find ourselves in a similar position.

After the Great Recession, 36 states, including Connecticut, had no choice but to borrow federal money, with interest, to continue paying out benefits when their state UI trust funds ran dry. Connecticut borrowed over \$1 billion. Federal taxes were increased on employers between 2011 and 2015 to repay the loan with interest totally approximately \$85 million. After record levels of pandemic-induced unemployment, Connecticut has been forced again to borrow more than \$800 million from the federal government to shore up the trust fund. We should not let this happen again.

Much has been made about the reforms endorsed by the Employment Security Advisory Board (ESAB) in 2015. We caution against using ESAB's 2015 proposals as the sole basis for developing legislation. We all, including ESAB members, have learned a great deal about our unemployment experience during the pandemic, including the importance of family-sustaining benefits, covering gig workers and shared work programs. None of that experience was reflected in the 2015 proposals. Therefore, we encourage this Committee, the Labor & Public Employees Committee and the proponents to fully engage the ESAB in the development of proposals to modernize our unemployment system.

One change seems appropriate to embrace. Connecticut's taxable wage base is comparatively low at \$15,000 and hasn't been increased since 1999. We agree that raising the taxable wage base and indexing it to inflation is an important mechanism to help make the trust fund solvent. We also support proposals to authorize shared work programs that help minimize layoffs and burdens on the trust fund.

However, proposals to raise the base period are concerning as it would make it more difficult for recently hired and low-wage workers to collect unemployment when they are terminated or laid off. It may not take an attorney or a software designer very long to surpass a higher wage base threshold, but it would take a minimum wage worker a much longer time to qualify. A higher wage base could exclude them from benefits in another economic downturn. We also suggest that large, corporate employers who rely heavily on part-time workers and have high rates of turnover require unique treatment.

We are also concerned with proposals that freeze or reduce the benefit amount to which unemployed workers would be entitled. By changing how the benefit amount is calculated, rather than relying on the two highest quarters as statute currently requires, unemployed workers will receive lower benefit payments. We have learned during the pandemic that current benefit levels are already too low. The state and federal governments have both stepped in to supplement weekly benefits in order to keep unemployed workers afloat.

It's important that we not add to the hardships of unemployed workers. We must also be certain that we do not adversely impact on our state and local economies. Unemployed workers spend their unemployment benefits on basic necessities. They don't stash those funds offshore or shelter them from income tax liabilities. We urge the Committee to be vigilant in its efforts to keep unemployed workers, those who've suffered the most during this pandemic, from experiencing further economic pain.

We welcome the opportunity for discussion provided by HB 6633. The Connecticut AFL-CIO stands ready to work with this Committee, the Labor & Public Employees Committee, the ESAB and the proponents to ensure this legislation makes the unemployment insurance trust fund solvent but doesn't do so on the backs of unemployed workers.

Thank you for the opportunity to testify.