

Finance, Revenue & Bonding Committee

Public Testimony of Connecticut Women's Education and Legal Fund (CWEALF)

H.B. 5403: *An Act Establishing A Child Tax Credit Against The Personal Income Tax*

S.B. 383: *An Act Increasing The Applicable Percentage Of The Earned Income Tax Credit*

S.B. 380: *An Act Concerning a Study of State Tax Policies*

S.B. 381: *An Act Concerning a Study of State Revenue Collections*

S.B. 382: *An Act Concerning a Connecticut New Market Tax Credit Program*

H.B. 5406: *An Act Concerning a Study of State Revenue Policies*

H.B. 5407: *An Act Concerning Study of State Fiscal Policies*

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The Connecticut Women's Education and Legal Fund (CWEALF) is a statewide nonprofit that advocates for and empowers women and girls in Connecticut, especially those who are underserved or marginalized. For forty-eight years, CWEALF has been a leading advocate for policies that advance the economic security of women across our state and promote gender equity .

Through CWEALF's Legal Education Program, we provide information, education, referrals, and bilingual advocacy to the Connecticut community to ensure that all individuals in our state have access to legal justice. The majority of CWEALF's clients are low-income women with at least one dependent.

We urge the committee to support H.B. 5403: *An Act Establishing A Child Tax Credit Against The Personal Income Tax* and S.B. 383: *An Act Increasing the Applicable Percentage Of The Earned Income Tax Credit*.

Senate Bill No. 383 will permanently expand the Connecticut Earned Income Tax Credit (CT EITC) from 30.5% to 41.5% beginning in January 2022, a critical step to provide relief to low-income households and enhance economic growth and spending. The CT EITC benefits working class families in Connecticut who have the highest effective tax rate. Increasing the CT EITC from 30.5% to 41.5% would provide the average working-class family with two children an additional \$660 per year. Senate Bill No. 383 will also help Connecticut's economy: research shows that \$1 spent on the EITC increases economic output by \$1.27.

We also urge the Committee to support H.B. 5403, which will create a Connecticut Child Tax Credit (CT CTC) and add up to \$600 per child to the pockets of Connecticut's working and middle class families for single filers making less than \$100,000 per year and married filers making less than \$200,000 per year. Passage of H.B. 5403 would create the largest and most inclusive tax credit for families with children and will reduce the tax burden of our state's

working and middle class, which also advances racial, economic and gender justice in Connecticut.

Women and their families need passage of both SB. 383 and H.B. 5403. Connecticut's working-class families are hurt the most by our state's regressive tax system and middle-class families do not fare much better, especially since state tax relief to help offset the high cost of living and raising children in Connecticut currently does not exist. Research shows that income from both the EITC and CTC are critical to every stage of life: children in families receiving the EITC and CTC do better in school and are likelier to attend college, which is linked to higher earnings as adults. Connecticut's tax system makes it more difficult for families to have children and incentivizes families that already have children to leave the state, neither of which is helpful to generating an "economic comeback."¹

The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) are financial lifelines for many low-income women and a means to prosper and provide for their families. The impact of both of these tax credits significantly reduce a number of other issues we witness low-income women in Connecticut face that include poverty, housing stability and food insecurity. When these tax credits are at risk or end like the Child Tax Credit did earlier this year, we as an organization hear first hand of the struggles women face. These supports meant they were provided with a greater financial cushion month to month to ensure that their household's basic needs were met. Connecticut is one of only four states with an income tax—and one of only two states with an independent income tax—that does not adjust for family size or child care expenses to help offset the high and growing cost of raising children.²

Our state's economic recovery relies on many working-class and lower-income women to contribute their skills and time as 32.7% of Connecticut businesses are entirely owned and operated by women and 62.8% of women are active in our labor force.³ Raising the EITC to 41.5% in conjunction with the CTC as both bills outline are equitable responses that would impact Connecticut's low-income families by allowing them support proportional to their needs, the means to provide for their children and ensure their bills are paid.

Both H.B. 5403 and S.B. 383 are a step towards equity in our state, which is essential for our communities across the state to make change for the lives of women, especially women of color, who have been historically depicted as less than.

Senate Bill No. 380, Senate Bill No. 381, House Bill No. 5406 and House Bill No. 5407 are study bills. The 2014 state tax incidence analysis performed by the Department of Revenue Services showed that the bottom 50% of earners contribute 23.6% of their income in taxes, but the top 1% contribute only 7.5%. The long anticipated follow up report released earlier this month shows that low-income households have lost ground since 2014. The 2022 tax incidence report gives all of the information needed to enact transformative change and is essentially a roadmap for how to enact that change. Studies take time and can delay progress. Working families in our state do not have any more time to wait - we encourage the Committee to act quickly to provide relief to those who are hurting.

Senate Bill No. 382 has the potential to stimulate economic development in ways that create good jobs, expand access to healthy foods in food deserts and make environmental improvements. We believe this proposal will strategically incentivize the kinds of investments-in-place that build wealth, reduce income inequality and contribute to economic growth in underserved communities. We encourage the Committee to support this creative approach to build equity.

The COVID-19 pandemic has had an economically devastating and unequal impact on Connecticut's low-income families. These communities are suffering and this suffering requires a bold response in order to aid in the reduction of economic and racial inequality, restore fairness, and provide financial opportunities through our tax codes to ensure Connecticut families can thrive.

1 <https://ctvoices.org/wp-content/uploads/2022/02/CT-CTC-Report.pdf>

2 see note 1

3 <https://statusofwomendata.org/wp-content/themes/witsfull/factsheets/economics/factsheet-connecticut.pdf>