



**Testimony in Support of S.B. 383: An Act Increasing the Applicable Percentage of Earned Income Tax Credit**

**Submitted by Lynne Ide, director of program & policy, Universal Health Care Foundation of Connecticut**

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Thank you chairs and members of the Finance, Revenue, and Bonding Committee for the opportunity to submit testimony in support of S.B. 383: An Act Increasing the Applicable Percentage of Earned Income Tax Credit.

Universal is a proud member of the Recovery For All coalition and an ally of CT Voices for Children. We support this bill because it is important to help build health, racial, and economic equity for Connecticut families and a better future for our state.

Connecticut households are struggling to afford basic needs. We believe that permanently increasing the state's Earned Income Tax Credit (EITC) from 31.5% to 41.5% of the federal credit through the passage of S.B. 383 is a vital step toward equity.

According to Connecticut United Way, 57% of Black households, 63% of Hispanic households, and 73% of single female headed households in CT live below the ALICE (Access Limited, Income Restrained, Employed) threshold<sup>[1]</sup>. Black, Hispanic, and female headed households are disproportionately represented in the ALICE population and have been disproportionately impacted by COVID-19.

The EITC is a proven effective tool at helping working families in low-wage jobs. It was found that in 2017 CT's EITC lifted 6,600 families above the poverty line and eased poverty for another 99,000<sup>[2]</sup>. EITC benefits go beyond monetary. It also has positive effects on children, maternal, and infant health outcomes. It has been found that the larger the EITC benefit, the better health of those receiving the benefit. Mothers who receive the largest EITC benefit are likelier to receive prenatal care, including care before the third trimester. In addition, more generous EITC benefits are associated with improved birth outcomes<sup>[3]</sup>.

While this shows the effectiveness of the EITC and how essential it is to protect, it also shows that the previous rate was not enough, and thousands of people in Connecticut were left under the poverty level. As we continuously recover and respond to the

COVID-19 pandemic, it is more important now than ever to protect our state's EITC and permanently increase the rate from 31.5% to 41.5%. To fail to act would be to undermine family security and stability at a time when life is already unstable.

For the sake of our state's families and communities, we urge the passage of S.B. 383 to permanently increase the state's EITC rate.

And we ask that you do more. While Recovery For All supports this bill, we also believe there is much more that can be done to provide relief to our most vulnerable communities by investing in people and adopting more equitable tax policies. Together, we can create a sustainable Recovery For All by continuing efforts to target relief to those who most need it, require corporations and the very wealthy to share the responsibility of building a strong economy, and revitalize and expand programs and services that close opportunity gaps and build equity.

Recovery For All urges legislators to also:

- 1. Double the property tax credit to \$400** and expand it to all households within current income limits. **This would make homeownership more affordable and help low- and middle-income households build wealth.**
- 2. Deliver pandemic pay to essential workers.** The American Rescue Plan Act designated funds to provide premium pay to essential workers to recognize risks they have taken to care for our sick and keep our economy moving. It will also encourage them to remain on the job. Connecticut's essential workers must have access to the funds that the federal government has earmarked for them. Since many are low-wage earners, **premium pay would likely be spent in local economies, contributing to further economic growth.**
- 3. Create a 10% digital advertising tax on giant tech corporations with income over \$10 billion.** Big technology companies can access our contacts and social media activity and show us ads for products with the assumption that we have similar interests and desires. Google, Facebook and Amazon maximize their profits by surveilling, collecting, and reselling data to target online advertising to the people of Connecticut and sell people things they weren't explicitly seeking. **Creating a digital ad tax would generate approximately \$140 million annually.**
- 4. Restore the estate tax to pre-Great Recession levels.** By reducing the estate tax exemption to \$2 million, eliminating the payment cap, and increasing rates **would generate \$162 million annually for the state budget.**
- 5. Increase the corporation income tax rate from 7.5% to 11.5%** and extend the surtax to 20% for corporations with incomes of \$100 million or more. **Asking multi-million dollar corporations across Connecticut to pay what they owe would generate between \$250 million and \$300 million annually.**

- 6. Raise personal income tax rates on high earners.** Those with incomes over \$500,000/year should pay 8.82%, and those with incomes over \$1 million/year should pay 12.69%. **Making Connecticut's personal income tax rates fairer and more competitive with neighboring states would generate approximately \$1.75 billion annually.**
- 7. Establish the Connecticut Equitable Investment Council to distribute revenues for programs in underserved communities.** The fund would receive earmarked funds to support the growth of the state's economy through investments-in-place programs and strategies that include but are not limited to (1) building wealth in traditionally underserved communities; (2) reducing income inequality; (3) retaining and attracting talent to the state by increasing the availability of venture capital; and (4) working with the state to reduce municipal reliance on property taxes.

Thank you for the opportunity to submit testimony in favor of increasing the Earned Income Tax Credit. We ask for your vote in support of this bill to improve the well-being of children and families in Connecticut – and that you meet the moment and approve more progressive tax policies that promote health, racial, and economic equity.

<sup>[1]</sup> *ALICE in Connecticut: A Financial Hardship Study.* (2020). Connecticut United Way, United For ALICE. [file:///C:/Users/18608/Downloads/2020ALICEReport\\_CT\\_FINAL.pdf](file:///C:/Users/18608/Downloads/2020ALICEReport_CT_FINAL.pdf)

<sup>[2]</sup> Senserrich, R. (May 25, 2017). *Connecticut Earned Income Tax Credit Eases Poverty for More Than 100,000 People Last Year.* Connecticut Voices for Children. <https://ctvoices.org/wp-content/uploads/2017/05/EITC-2017-release.pdf>

<sup>[3]</sup> Waxman, S., Sherman, A., Cox, K. (May 27, 2021). Income Support Associated with Improved Health Outcomes for Children, Many Studies Show <https://www.cbpp.org/research/federal-tax/income-support-associated-with-improved-health-outcomes-for-children-many#~:text=Research%20has%20found%20that%20more,largest%20increases%20in%20birth%20w> eights.

*Universal Health Care Foundation of Connecticut's mission is to accelerate the movement for health justice for everybody because health is a human right and core to social justice and equity.*