



**Testimony in Support of H.B. 5403: An Act Establishing a Child Tax Credit
Against the Personal Income Tax**

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Universal Health Care Foundation

Thank you chairs and members of the Finance, Revenue, and Bonding Committee for the opportunity to submit testimony in support of H.B. 5403: An Act Establishing a Child Tax Credit Against the Personal Income Tax.

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.

HB 5403 establishes an income tax credit of \$600 per child (up to \$1,800 per year) for families earning less than \$200,000 to help build economic security and improve health and well-being. For every \$1 spent, the child tax credit would infuse \$1.38 into the state economy.

The Child Tax Credit is an investment in Connecticut families and our future. Now is the time for significant tax relief and reform. The state's financial picture is rosier than it has been for decades. The State Comptroller has projected a FY 2022 budget surplus of \$1.48 billion. The Rainy Day Fund also stands at its statutory maximum of \$3.1 billion.

Child tax credits are one of the most effective policy tools to reduce child poverty. As part of the American Rescue Plan, the federal government temporarily expanded the child tax credit in 2021. Now the extremely effective and popular credit has expired.

The temporary federal child tax credit kept 3.7 million children out of poverty and cut food insufficiency among families by 26%.^[1] Child tax credits is a proven policy tool that would undoubtedly benefit our state's children and families. Currently, Connecticut is one of only two states, and the only high cost of living state, with an income tax that does not adjust for family size or child-care expenses to help offset the high and growing cost of raising children, and our families are suffering because of it.^[2]

As of January 2022, it was found that 53% of families in Connecticut had difficulties paying their usual, basic expenses, including food, housing, and utilities. The situation is even more dire for Black and brown families, who are disproportionately affected. It

was found that 77% of Black families and 74% of Latinx families have difficulties paying basic expenses.^[3]

Being unable to afford basic needs, such as food, has a long-term consequence on both physical and mental health of children. Studies have found that children living in food insecure households are at higher risk of developing asthma, are more likely to be hospitalized in early childhood, and are more likely to experience depression or suicidal ideation^[4]. This again disproportionately affects Black and Brown families, who experience approximately double the rate of food insecurity than non-Hispanic white families.^[5]

For the sake of our state's children and families, we urge the passage of H.B. 5403.

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 the Child Care 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.

^[1] Turner, C. (January 27, 2022). *The expanded child tax credit briefly slashed child poverty. Here’s what else it did.* NPR. <https://www.npr.org/2022/01/27/1075299510/the-expanded-child-tax-credit-briefly-slashed-child-poverty-heres-what-else-it-d>.

^[2] O’Brien, P. (February 2022). *The Case for Connecticut Child Tax Credit.* Connecticut Voices for Children. <https://ctvoices.org/wp-content/uploads/2022/02/CT-CTC-Report.pdf>.

^[3] Ibid.

^[4] Waxman, E. (May 7, 2020). *Many families are struggling to put food on the table. We have to do more.* The Urban Institute. <https://www.urban.org/urban-wire/many-families-are-struggling-put-food-table-we-have-do-more>

^[5] Ibid.

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.