FISCAL POLICY CENTER

At Connecticut Voices for Children

NEWS RELEASE
Thursday, January 10, 2012

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Report: Connecticut's Earned Income Tax Credit Has Benefited over 180,000 Working Families Throughout State

Credit for workers benefited households in every town

STATEWIDE –As the tax filing season approaches, a new report finds that Connecticut's Earned Income Tax Credit benefited 180,000 households last year, its first year of implementation. The organizations releasing the analysis called on state policymakers to continue support for the tax credit for low- and moderate-income workers and to avoid cutbacks during the upcoming legislative session.

The report by the Fiscal Policy Center at Connecticut Voices for Children and the Connecticut Association for Human Services (CAHS) finds that working families in every town in the state benefited from the credit. The average amount of the state tax credit was about $600, and households claiming the credit had average incomes of about $18,000 – what a single parent working full-time just above the minimum wage would earn before paying taxes.

"The Earned Income Tax Credit is clearly working and making a big difference in the lives of working families," said Wade Gibson, Senior Policy Fellow at Connecticut Voices' Fiscal Policy Center. "We should continue support for the state credit, which helps to ensure that people who work are able to make ends meet and stay out of poverty."

"The EITC is widely recognized as the single most effective action the state can take to reward work, keep people off of state benefits, and lift kids out of poverty," said Jim Horan, Executive Director of the Connecticut Association for Human Services.

"Connecticut has taken a giant step forward with the state's EITC," he added. "If we go backwards, and take money out of the pockets of hardworking families, we are taking money

away from the communities where they spend that money, and we are jeopardizing our fragile economic recovery."

The report, which analyzed data from the Connecticut Department of Revenue Services, praised the benefits of the credit:

- The EITC gets and keeps people working. The credit can only be claimed by people who earn income through work, and is structured to encourage people to work more.
- The EITC makes the state tax code fairer. The EITC was critical in balancing out the regressive impact of recent sales tax increases, which tend to hit low-and moderate-income residents hardest. People only receive the credit if they work and pay taxes, including federal payroll, state, and local taxes.
- The EITC is a proven anti-poverty tool. The federal EITC lifts more children out of poverty than any other federal program. In 2011, the federal EITC alone kept 61,000 people in Connecticut above the poverty line, including 35,000 children.

Workers who earned $50,270 or less in 2012 and were raising children, and single workers without children who earned $13,980 or less may qualify for the credit this year. Tax filers can claim the federal and state EITCs by filling out the EITC tax schedule form with their tax returns. Workers must claim the federal credit to obtain the state credit. Free assistance with filing federal and state tax returns will be available for low- to moderate-income people through Volunteer Income Tax Assistance (VITA) sites across the state. The state EITC was approved by the Governor and General Assembly in 2011, and was first implemented in 2012 for income earned in 2011.

The Fiscal Policy Center, launched in October 2012, provides research, analysis, and recommendations on state and federal budget and tax policies (ctvoices.org/fiscal). Founded in 1910, the Connecticut Association for Human Services promotes family economic security strategies that empower low-income working families to achieve financial independence (www.cahs.org).

The report, "Connecticut's Earned Income Tax Credit: A Boost to Working Families in Every Town," is available on the Connecticut Voices website at www.ctvoices.org. Included in the report are town- and county-level data on the number of households claiming the state EITC, the total amount of credit claimed, the average credit amount, and the average income of these households.

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