FISCAL POLICY CENTER
At Connecticut Voices for Children

NEWS RELEASE

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Contact: Wade Gibson, Director of the Fiscal Policy Center, (203) 498-4240, x113, wgibson@ctvoices.org
Matthew Santacroce, Policy Analyst, (203) 498-4240 x118, msantacroce@ctvoices.org

Report: Connecticut Among Few States That Penalize Families with Children in its Tax System

Connecticut is only of only two states with a tax system that penalizes households with children, relative to households without kids, according to a new report from the Fiscal Policy Center at Connecticut Voices for Children. The report, released on the tax filing deadline, finds that across the country, nearly all states that have enacted an income tax have also enacted some form of tax exemption, deduction or credit to offset the costs of raising children, but Connecticut has not. Connecticut Voices recommends that state policymakers adopt family-friendly tax measures commonly used in other states, such as a child tax credit and a child and dependent care tax credit.

"Families with children paying taxes this year are experiencing firsthand what this report shows empirically -- that Connecticut imposes an effective child tax penalty which can and must be eliminated," said Ellen Shemitz, Executive Director of Connecticut Voices for Children.

Among the key findings of the report, which compares Connecticut's tax system to those of other states:

- **Connecticut is nearly alone among states in not making broad-based tax adjustments for families with dependent children.** Among the 41 states with a personal income tax, Connecticut is one of only two that fails to offer either a tax credit or exemption for dependent children. As a result, a two-parent family with three children pays virtually the same amount in state income tax as a couple earning the same amount with no children, even though households with children spend far more on food, clothing, health care and other necessities and have far less disposable income.

- **More than half of states with an income tax (24 of 41 states) further offset the cost of raising children through a refundable state child tax credit, childcare tax credit, or both. Connecticut has neither.** These two credits are an important support for low- middle- income families raising children.

- **Connecticut's recently-established state earned-income tax credit (EITC) is the first feature of Connecticut's income tax to take into account the number of children in a household, though only for the state's low-income residents.** The state EITC benefited more than 186,000 households in 2012, all of which earned income through work and nearly all of whom had children.

To support families through the tax system and bring Connecticut in line with other states, the report recommends that Connecticut policymakers should consider a range of family-friendly tax policy options, including:

- Protecting and expanding upon the state Earned Income Tax Credit, which is aimed at rewarding work among low-income parents;
- Creating a refundable state child tax credit, which would offset the costs of child-rearing for low- and middle-income families;
- Implementing a child and dependent care tax credit, aimed at offsetting the cost of child care; and
- Creating a dependent exemption, which would allow parents and guardians to deduct a certain amount of income on their tax returns for each dependent.

"Connecticut should make investments in children through both sides of its state budget – the spending and the tax systems," said Wade Gibson, Director of the Fiscal Policy Center at Connecticut Voices for Children. "By adopting measures to reform our state tax system, which is uniquely hostile to families with kids, we can help parents to make ends meet and broaden the range of policy tools to support families."

The report, "Pro-Family Tax Reform in Connecticut: A Roadmap for Improvement," is available at www.ctvoices.org. The Fiscal Policy Center at Connecticut Voices for Children provides research, analysis, and recommendations on state and federal budget and tax policies.

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