

FISCAL POLICY CENTER

At Connecticut Voices for Children



Kids First, Prosperity for All

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Connecticut's Tax System Penalizes Caregivers

Family A: 2 Dependents

Earned Income: \$60,000

Dependent Expenses: \$18,000

State income taxes: \$1,800

Net income: \$40,200

Family B: 0 Dependents

Earned Income: \$60,000

Dependent Expenses: \$0

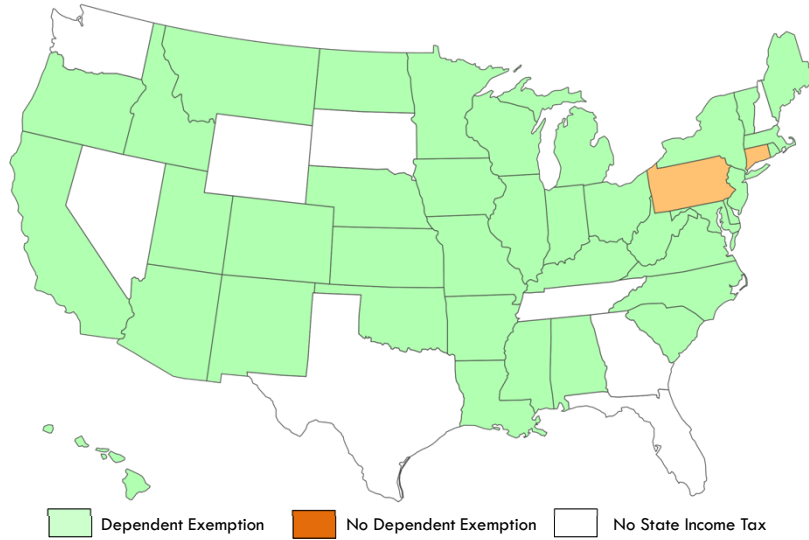
State income taxes: \$1,800

Net income: \$58,200

- Connecticut's tax system violates the principle of horizontal equity, asking more from families caring for kids and seniors.

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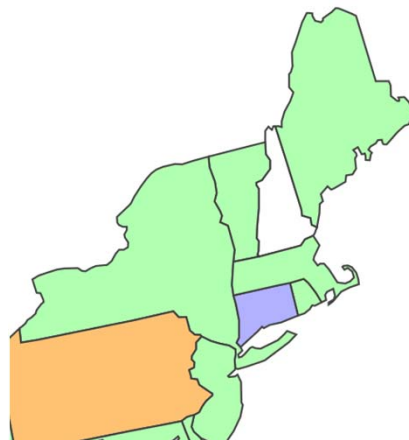
Only PA and CT Fail to Account for Dependent Care



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Proposal Should Place Connecticut in Line with Neighbors



Current State Dependent Exemptions:

| | |
|----------------|------------------------|
| Maine: | \$4,000 |
| Vermont: | \$4,000 |
| Rhode Island: | \$3,800 |
| New Jersey: | \$1,500 |
| New York: | \$1,000 |
| Massachusetts: | \$1,000 |
| Connecticut: | No Dependent Exemption |
| Pennsylvania: | No Dependent Exemption |
| New Hampshire: | No Income Tax |

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A Dependent Exemption Improves Tax Fairness in Connecticut

Principles of a High-Quality State Revenue System

A high-quality revenue system:

- takes state & local revenues into consideration
- is reliable
- includes a diverse and balanced variety of sources
- **treats individuals equitably**
- facilitates compliance
- promotes fair, efficient administration
- responds to interstate and international competition
- is transparent
- is accountable

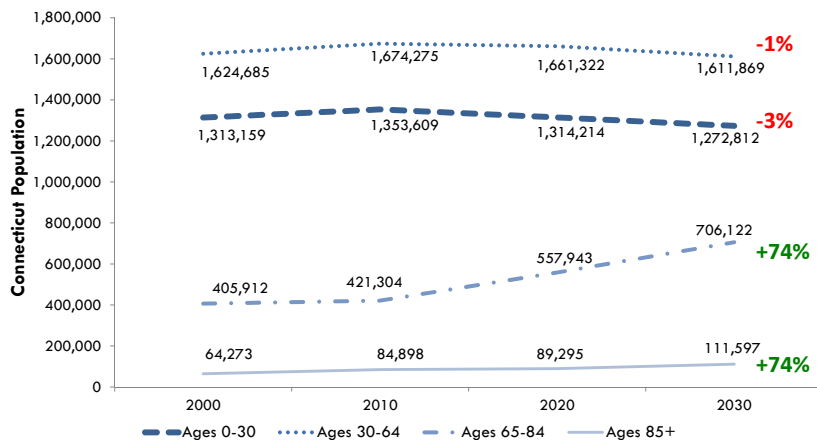
"A high-quality revenue system treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, that it minimizes regressivity, and that it minimizes taxes on low-income individuals."

Source: National Conference of State Legislatures

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Connecticut's Future Depends on Its Children



➤ By 2030, nearly 1 in 4 Connecticut residents will be age 65 or older, up from 1 in 12 in 1950.

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