

FOR IMMEDIATE RELEASE

Tuesday, February 3, 2015

Contact: Ellen Shemitz, Executive Director, 203-498-4240 x108, eshemitz@ctvoices.org
Nick Defiesta, Fiscal Policy Fellow, 203-498-4240 x118, ndefiesta@ctvoices.org

Report: Connecticut's Tax and Benefit Systems Unfriendly to Families

Connecticut's tax system is uniquely unfriendly to families, according to a new report from the Fiscal Policy Center at Connecticut Voices for Children. The report, released at the organization's Budget Forum at the State Capitol, finds that Connecticut is one of only two states with an income tax that does not offer tax credits or exemptions to adjust for the cost of caring for children and other dependents.

"Connecticut's tax system should not undermine the ability of families caring for children and seniors to make ends meet," said Ellen Shemitz, Executive Director of Connecticut Voices for Children. "We can and must do better. By empowering rather than penalizing working families with dependents, we can eliminate a relative tax disadvantage, make our tax system fairer, and help working families succeed in a challenging economy."

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 adjustments to its income tax for families with dependents.** Connecticut is one of only two states with an income tax that fails to offer either a tax credit or exemption for dependents. As a result, parents with children or other dependents pay virtually the same amount in state income tax as couples earning the same amount with no children, despite the high cost of caring for children and other dependents.
- **Connecticut's tax system and benefit eligibility rules create high marginal "tax" rates and "cliffs" that effectively penalize low-income families when their incomes increase.** The report provides examples of how working families may lose out when their income increases due to higher tax rates and loss of critical benefits, such as housing or child care.

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

- Creation of a dependent exemption to reflect the real costs of raising children and caring for the elderly;

- Full restoration of the state Earned Income Tax Credit, which rewards work among low-income parents; and
- Modification of income eligibility limits for the Care4Kids child care assistance programs to phase out eligibility gradually as income increases.

“Policy changes such as a dependent exemption would bring our tax system more in line with those of other states and help to make Connecticut a more attractive place for young people to start families,” Nick Defiesta, Fiscal Policy Fellow at Connecticut Voices for Children and co-author of the report.

The report, “Families First, Prosperity for All: Making Connecticut’s Tax and Benefit System More Family-Friendly,” 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.

-END-