

JUST FACTS: MAKING CONNECTICUT'S TAX SYSTEM FAIRER THROUGH TIMELY SUPPORT

A tax system is even fairer when it includes timely support—providing working- and middle-class families the option of receiving refundable tax credits in installments to help make ends meet. This fact sheet provides proposals to ensure timely support.

The following is a summary of the key findings from our January 2022 report:

Connecticut's Tax Credit Payment Problem

Connecticut's tax credits are not as effective as they could be in helping families make ends meet because the timing of the payments does not align with the needs of many working- and middle-class families, especially working-class families, which disproportionately includes families of color.

The federal government's Advance Child Tax Credit helped Connecticut's working- and middle-class families with children. At the same time, many of Connecticut's working- and middle-class families still struggled to make ends meet, indicating the need for timely support at the state level in addition to at the federal level.

Key Terms

- **Timely support** is providing working- and middle-class families the option of receiving refundable tax credits in installments.
- A **refundable tax credit** is paid to a tax filer regardless of their tax liability.

Timely Support Proposals

To provide timely support that will help working- and middle-class families make ends meet, policymakers could:

- Require the DRS to either (1) confirm that it has sufficient capacity to setup and administer a timely support program or (2) release a report before the start of the next legislative session detailing the additional capacity that is necessary. Once the tax administration capacity issue is addressed, require the DRS to setup and administer for both the existing CT EITC and, if established, the proposed CT CTC a timely support program that ensures extensive access, provides a range of timely support options, and limits the use of reconciliation.
- Require the DRS to release detailed data each year so that policymakers can improve the design of timely support moving forward if necessary.

Difficulty Paying Usual Household Expenses in Connecticut, 2021

Total Population		50%	
By Income Group		By Race and Ethnicity	
Working-Class Families	77%	Black	65%
Less than \$25,000	84%	Latino	70%
\$25,000 - \$34,999	80%	White	44%
\$35,000 - \$49,999	69%		
Middle-Class Families	40%		
\$50,000 - \$74,999	55%		
\$75,000 - \$99,999	40%		
\$100,000 - \$149,999	34%		
\$150,000 - \$199,999	29%		
Upper-Class Families	16%	By Presence of Children	
\$200,000 and above	16%	Children	62%
		No children	44%

*Data from US Census Bureau and author's calculations.

Use of Advance CTC in Connecticut, 2021

Mostly Spent		Spending Category	Families
Total	70%		
Working-Class Families	77%	Food	51%
Less than \$25,000	77%	Clothing	28%
\$25,000 to \$34,999	72%	Utilities and telecommunications	25%
\$25,000 to \$34,999	72%	School books and supplies	20%
\$35,000 to \$49,999	83%	Savings or investments	17%
Middle-Class Families	70%	Debt	16%
\$50,000 to \$74,999	75%	Childcare	13%
\$75,000 to \$99,999	73%	Rent	13%
\$100,000 to \$149,999	66%	Mortgage	13%
\$150,000 to \$199,999	67%	Vehicle payments	10%
Upper-Class Families	56%	School tuition	6%
\$200,000 and over	56%	Recreational goods	5%

*Data from US Census Bureau and author's calculations. Mostly spent includes mostly used to pay off debt.

Timely Support Option for CT EITC and Proposed CT CTC

Working- and Middle-Class Families

	2 Children		2+ Children	
	Dollars	% of Income	Dollars	% of Income
Working-Class Family				
Income	\$22,500	100%	\$22,500	100%
Total Refundable Credits (CT EITC + CT CTC)	\$2,664	11.8%	\$3,065	13.6%
Total Timely Support (50%)	\$1,332	5.9%	\$1,532	6.8%
Bimonthly Support (6 payments)	\$222	1.0%	\$255	1.1%
Working-Class Family				
Income	\$45,000	100%	\$45,000	100%
Total Refundable Credits (CT EITC + CT CTC)	\$1,409	3.1%	\$2,058	4.6%
Total Timely Support (50%)	\$705	1.6%	\$1,029	2.3%
Bimonthly Support (6 payments)	\$117	0.3%	\$172	0.4%
Middle-Class Family				
Income	\$97,400	100%	\$97,400	100%
Total Refundable Credits (CT EITC + CT CTC)	\$1,200	1.2%	\$1,800	1.8%
Total Timely Support (50%)	\$600	0.6%	\$900	0.9%
Bimonthly Support (6 payments)	\$100	0.1%	\$150	0.2%

Median Household by Race and Ethnicity

	2 Children		2+ Children	
	Dollars	% of Income	Dollars	% of Income
Median Black Household				
Income	\$48,900	100%	\$48,900	100%
Total Refundable Credits (CT EITC + CT CTC)	\$1,159	2.4%	\$1,807	3.7%
Total Timely Support (50%)	\$580	1.2%	\$904	1.8%
Bimonthly Support (6 payments)	\$97	0.2%	\$151	0.3%
Median Latino Household				
Income	\$49,200	100%	\$49,200	100%
Total Refundable Credits (CT EITC + CT CTC)	\$1,140	2.3%	\$1,767	3.6%
Total Timely Support (50%)	\$570	1.2%	\$884	1.8%
Bimonthly Support (6 payments)	\$95	0.2%	\$147	0.3%
Median White Household				
Income	\$85,800	100%	\$85,800	100%
Total Refundable Credits (CT EITC + CT CTC)	\$1,200	1.4%	\$1,800	2.1%
Total Timely Support (50%)	\$600	0.7%	\$900	1.0%
Bimonthly Support (6 payments)	\$100	0.1%	\$150	0.2%

*Data from CT DRS, US Census Bureau, and author's calculations.