

Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

Bill No.: House Bill 5403
AN ACT ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL
Title: INCOME TAX.
Vote Date: 4/5/2022
Vote Action: Joint Favorable
PH Date: 3/15/2022
File No.: 598

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SPONSORS OF BILL:

Introduced by:
Finance, Revenue and Bonding Committee

Co-sponsors:

Rep. Michael A. Winkler, 56th District
Rep. Jason Doucette, 13th District
Rep. Corey P. Paris, 145th District
Rep. David Michel, 146th District
Rep. Brandon Chafee, 33rd District
Rep. Gary A. Turco, 27th District
Rep. Eleni Kavros DeGraw, 17th District
Rep. Kate Farrar, 20th District
Rep. Frank Smith, 118th District
Rep. John "Jack" F. Hennessy, 127th District
Rep. Josh Elliott, 88th District
Sen. Saud Anwar, 3rd District
Rep. Robin E. Comey, 102nd District
Rep. John-Michael Parker, 101st District
Rep. Brian T. Smith, 48th District
Rep. Amy Morrin Bello, 28th District

REASONS FOR BILL:

This bill provides a Connecticut child tax credit (CT CTC) that eligible families may file against the personal income tax for up to three children (age 16 or younger) that they claim as dependents on their federal income tax return for the applicable tax year. This tax credit is being offered to alleviate the rising costs associated with raising children.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Sarah Healy Eagan, Child Advocate, State of Connecticut](#) supported this bill, "as necessary for advancing children's physical, developmental, mental health, and well-being. In Connecticut, Census Bureau data analysis found that 93% of low-income families in Connecticut utilized their monthly federal Child Tax Credit payments for basic needs, including food, clothing, shelter, education costs and utilities. In recent months the U.S. Surgeon General issued a report declaring a children's mental health crisis...Notably the risk factors the Surgeon General identified as contributing to children's mental health symptoms include: experiencing more adverse childhood experiences (ACEs) such as abuse, neglect, community violence, and discrimination; experiencing more financial instability, food shortages, or housing instability; and experiencing trauma, such as losing a family member or caregiver to COVID-19. The U.S. Surgeon General recommended that policymakers: [address the economic and social barriers that contribute to poor mental health for young people, families, and caregivers. Priorities should include reducing child poverty and ensuring access to quality childcare, early childhood services, and education; healthy food; affordable health care; stable housing; and safe neighborhoods."

NATURE AND SOURCES OF SUPPORT:

[Martin Looney, Senate President Pro Tempore, Connecticut General Assembly](#) noted that, "House Bill 5403 would create a refundable child tax credit against the state income tax. The temporary federal program in the American Rescue Plan Act reduced child poverty by approximately 30%. Unfortunately, this federal program has not been renewed and this has left many children in need. House Bill 403 would help to fill the gap that was left when the federal program expired and help lift Connecticut children out of poverty."

[Michael Passero, Mayor, New London, Connecticut](#) testified, "this bill is critically important to the health and wellbeing of many residents in my community. New London is the #3 most distressed municipality in Connecticut. The average pretax median income is \$39,675.00. For Black families, the pretax median income is \$32,790 and for Hispanic households, \$27,461. When you factor in the tax rate, income drops 15.67% for Black and Hispanic families and 14.72% for all households. The extreme poverty in New London results in health disparities, inadequate and unsafe housing and high demand for food, diapers, clothing and other essential needs. The pandemic has significantly exacerbated these disparities...This legislation is a key step forward in making the Connecticut's tax system fairer while simultaneously advancing racial justice and impacting the social determinants of health. A state level CTC will lift more of the state's children out of poverty and it may even provide an incentive for families to root and grow in Connecticut.

[Danielle Wong, Mayor, Town of Bloomfield](#) stated, "establishing the CT CTC would make Connecticut's tax system fairer and help both working-class and middle-class families make ends meet. Connecticut is the only high cost of living state with an income tax that does not adjust for family size or child care expenses to help offset the high and growing cost of raising children. CT CTC will make Connecticut a more family friendly state and help reverse the trend of rising costs that have been pushing working- and middle-class families out of our state."

The following individuals testified in support of this bill, stating that, "The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are financial lifelines for low-income individuals and families. Their potential impacts are staggering, greatly reducing poverty for working individuals and families and preventing millions of others from being pushed into poverty in the first place. Each is an equitable, long-term solution that also reduces racial disparities, builds financial security, and creates economic opportunities of economic mobility for all. Together, permanently raising the Earned Income Tax Credit (EITC) to 41.5% and pairing it with the CTC, will allow working families to make ends meet, provide for their children, and save for a rainy day."

[*Beverly Brakeman, Regional Director – United Auto Workers, Region 9A*](#)

[*Carl Chisem, President, CEUI, SEIU Local 511, Member, Recovery For All Coalition*](#)

[*Lauren Doninger, Member, Recovery For All Coalition*](#)

[*Callie Gale Helimann, President & Co-Director, Bridgeport Generation Now*](#)

[*Ed Hawthorne, President, Connecticut AFL-CIO, Member, Recovery For All Coalition*](#)

[*Travis Woodward, President, CSEA SEIU Local 2001*](#)

The following individuals testified that establishing the Connecticut Child Tax Credit, "is essential to making Connecticut's tax system fairer and our state more economically just for families. If we are able to implement a Connecticut Child Tax Credit, I would be able to afford full time childcare, in a quality place where I know my child is safe and cared for. I would be able to enter the workforce at my full capacity and not in a part time position. I would have more time and energy to put towards efforts to support my community and residents in need. All children would thrive because more families in my community would be able to afford exorbitant child care costs with these funds."

[*Maria del Carmen Garcia, Resident, New Haven, Connecticut*](#)

[*Norma DeLeon, Resident, New Haven, Connecticut*](#)

[*Jesse Delia*](#)

[*Paushaya Hudson Resident, New Haven, Connecticut*](#)

[*Rosa Jimenez, Member, Unidad Latina en Acción and Recovery For All Coalition*](#)

[*Jossandrea Marquez Clemente, Resident, Bridgeport, Connecticut*](#)

[*Danielle Moghadam*](#)

[*Veronica Moses, Worker, Connecticut Healthcare Industry*](#)

[*Nancy Pacheco, Resident, New Haven, Connecticut*](#)

[Carolina Rodriguez, Resident, Bridgeport, Connecticut](#)

[Celia Sanchez, Resident, New Haven, Connecticut](#)

[Kristianna Smith, Resident, New Britain, Connecticut](#)

[Veronica Tepalcingo, Resident, New Haven, Connecticut](#)

[Juana Valle, Member, Unidad Latina en Acción and Recovery For All Coalition](#)

[Asia Brown, Resident, New Haven, Connecticut](#) stated, "Putting more money into the pockets of families who need it the most is critical, especially during the time of COVID-19. Families can use this money to cover necessary expenses or even to begin to save money (which most families cannot do). Expanding the Connecticut EITC and establishing the Connecticut CTC are both essential to make Connecticut's tax system fairer and make our state more economically just for families."

[William Buhler, Member, CSEA and Recovery For All Coalition](#) testified that, "by increasing the earned income tax credit and allowing a tax credit for child care expenses, SB 383 and HB 5403 help offset a terribly unfair tax burden on low and middle income families revealed in the table below. These bills will allow more than a million families on the edge of not getting by to keep a little more of their income so they can go to local businesses and buy what they need."

Table 1. Total State and Local Effective Tax Rate by Income Decile

Income Decile	Adjusted Gross Income	Tax Filers	Effective Tax Rate			
			2011	2019	Change Included Taxes	Change Same Taxes**
1	\$0 to \$44,758	850,332	23.62%	25.96%	+2.34 pp	+3.73 pp
2	\$44,758 to \$74,688	308,221	13.93%	19.55%	+5.62 pp	+6.15 pp
3	\$74,688 to \$107,823	199,666	13.35%	15.50%	+2.15 pp	+2.64 pp
4	\$107,823 to \$148,081	142,306	12.87%	15.73%	+2.86 pp	+3.32 pp
5	\$148,081 to \$205,199	103,736	11.93%	12.23%	+0.30 pp	+0.77 pp
6	\$205,200 to \$316,507	71,895	10.53%	11.47%	+0.94 pp	+1.40 pp
7	\$316,513 to \$602,253	42,689	9.03%	10.35%	+1.32 pp	+1.70 pp
8	\$602,263 to \$1,631,362	19,672	7.69%	8.99%	+1.30 pp	+1.61 pp
9	\$1,631,481 to \$8,246,680	5,746	6.50%	7.08%	+0.58 pp	+1.33 pp
10	\$8,249,490 to \$387,821,183	772	6.28%	6.64%	+0.36 pp	+0.84 pp

*Data from CT DRS and author's calculations. **The DRS' calculation of the 2019 effective tax rate excludes four taxes that still exist and that are included in the calculation of the 2011 effective tax rate. The "same taxes" column is the change in the effective tax rate from 2011 to 2019 when comparing the taxes included in both tax studies.

[Liz Dupont-Diehl, Special Projects Coordinator, Connecticut Citizen Action Group](#) testified, "HB 5403 and SB 383, in particular, will in short order generate additional revenue for the state economy - as well as providing immediate and needed resources and fairness to working families and their children. A true calculation of the benefits of these bills would follow these children throughout their lifetime and show increased well-being and earnings. We can't afford NOT to implement these proven policies."

[Paul Dworkin, Pediatrician and Executive Vice President for Community Child Health, Connecticut Children's Medical Center](#) stated, "enacting a state-level child tax credit would help support and strengthen families by reducing the child poverty rate and empowering families with the opportunity to better provide for their children. One analysis of Census Bureau data conducted by the Center on Budget and Policy Priorities found that 93% of low-income families in Connecticut utilized their monthly federal Child Tax Credit payments for basic needs, including food, clothing, shelter, education costs and utilities. Meeting all of these basic needs supports the optimal health, development, and wellbeing of children."

[Carla Esquivel, Coordinator, NOSOTRAS Group - Domestic Workers of Stamford](#) testified, "These bills would help thousands of working mothers like me to give our families more opportunities. We work and pay taxes, and it's not fair that our children lack opportunities to thrive, given that we live in the richest state in this country. I've lived in Stamford for 15 years. I am a mother of two girls, and I am always present as a volunteer in my girls' schools. I am proud to be a domestic worker. Our work makes all other jobs possible, because our clients don't have to worry about housework. We also take care of the children in the house giving them the love, care and attention they need while the parents are working. If my job is essential, why is it that I barely have enough to take care of my family's health and well-being? I don't even have enough money to get the medical care I need. These bills would help thousands of working families like mine to be able to cut the taxes we pay a little bit. That money would help me invest in the needs my daughters have."

[Joelle Fishman, Chair, Connecticut Communist Party USA](#) testified, "we can emerge from this pandemic stronger together by making bold investments starting with the bills before you today enacting the Connecticut Child Tax Credit and increasing the Earned Income Tax Credit which will greatly reduce child poverty. But that is only the tip of the iceberg. The unjust tax system has to be upended and set right."

[Seth Freeman, President, Congress of Connecticut Community Colleges](#) testified, "in our community college system where I teach and work, I see first-hand how our students suffer from our states regressive tax structure. I see community colleges that are chronically under-resourced and understaffed. I see our colleges struggling with persistent equity gaps that both mirror and result from long-standing equity gaps in K-12 education. Equity gaps in K-12 education, that itself results from segregation, systemic poverty, income inequality, and other systemic failures in our state. It is time for Connecticut to do better. It is time we prioritize people. Progressive revenue will empower our state to meaningfully invest into our communities and residents in need. Let's do something bold as a state. Let's shake up the system."

[Nayeli Garcia Romero, Member, Recovery For All Coalition](#) testified, "I am part of Recovery For All, with people across the state who want a better Connecticut with justice and equality. I belong to ULA, Unidad Latina en Acción, where we defend the rights of immigrant workers. We are the people who grow the food, transport the food, and prepare the food of this state. We clean the hospitals and schools. We care for your children and your elders. We care for your homes and gardens. We should have a good life in Connecticut. This pandemic has been especially hard for women and immigrant workers like me. Wage theft, labor exploitation, and violence against women have increased. Thirteen Connecticut billionaires got \$13.7 billion

in additional wealth, while many children continue to live in poverty in Connecticut. These bills would help thousands of working families like mine to be able to have a small tax cut."

[Laura Garcia, Member, Unidad Latina en Acción and Recovery For All Coalition](#) testified, " For 8 years I have been paying my taxes in the state of Connecticut, like any citizen. Today I am here not only for myself, but representing all working women, who fought hard during the pandemic and before the pandemic in order to survive. Just as I was a domestic worker, there are thousands of mothers throughout Connecticut who are essential workers and lack the basic necessities to give their children a better future. I wish they could put themselves in the shoes of thousands of people who during the pandemic had to workday by day in order to survive on the little salary they earned. We were called heroes during the pandemic, because we do the work that makes this state thrive. However, working people are living paycheck to paycheck, with unpaid bills. It's not fair that my family has to suffer lack to pay taxes as high as the state of Connecticut has. It is time for justice . My husband and I just bought a house. We work hard, take care of our families, and take care of other residents of this state of Connecticut."

[Michael Goldbas, Resident, Bloomfield, Connecticut](#) testified, "ALICE is an acronym that stands for Asset Limited, Income Constrained, Employed. While ALICE is a demographic, it's critical to remember ALICE is our neighbors, real people needing support from their community. United Way (UW) identified this population through a detailed study supported by more than 40 external experts who considered what it costs to survive in CT; and includes households lacking the resources to pay for household essentials. ALICE cannot afford basic bills because the cost of the basics increased by nearly twice the rate of inflation -- outpacing wages. The size of the ALICE population is staggering – with a disproportionately high percentage of Blacks, Hispanics, and Single-Female-Headed households with children: • 38% of households in CT • 57% of black households • 63% of Hispanic households • 73% of Single-Female-Headed household with children ALICE households were struggling to afford the basics before the pandemic hit and put themselves at risk during the height of the pandemic by providing essential services. ALICE does not generally qualify for government subsidies (because they are not poor enough!). They walk a tightrope between poverty and the middle class and are one unexpected car repair or healthcare expense from falling into poverty. We need to provide support the ALICE population who played a dominant role in providing essential services during the pandemic. This can be accomplished, in part, by supporting the state tax legislation set forth in SB 29 and HB 5403 that will help our state's ALICE population."

[Robert Goodrich, Executive Director, Racial Advocates for Cross-Cultural Education](#) testified, "In Waterbury, the average median household income has plummeted over the last 20 years from \$54k to \$42k. This is a significant and undervalued piece of data that speaks volumes to the economic impacts a regressive tax policy has on my community, but we all share here in Connecticut. However, poor and working-class families suffer the most. In Waterbury, transportation and housing costs each family forty three percent of their annual household incomes. From this we can ascertain that even a small boost in the form of a Child Tax Credit and increasing the applicable percentage of the Earned Income Tax Credit would allow families to be less burdened by high costs of living, low-levels of access to high-wage jobs, childcare, poor air quality and the health-related issues resulting from not having enough money to buy fresh food, health insurance, or safe and clean housing."

[Madeline Granato, Policy Director, Connecticut Women's Education and Legal Fund](#) stated, "Passage of H.B. 5403 would create the largest and most inclusive tax credit for families with

children and will reduce the tax burden of our state's working and middle class, which also advances racial, economic and gender justice in Connecticut. Women and their families need passage of both SB. 383 and H.B. 5403. Connecticut's working-class families are hurt the most by our state's regressive tax system and middle-class families do not fare much better, especially since state tax relief to help offset the high cost of living and raising children in Connecticut currently does not exist. Research shows that income from both the EITC and CTC are critical to every stage of life: children in families receiving the EITC and CTC do better in school and are likelier to attend college, which is linked to higher earnings as adults. Connecticut's tax system makes it more difficult for families to have children and incentivizes families that already have children to leave the state, neither of which is helpful to generating an "economic comeback."

[Bonita Grubbs, Reverend, Christian Community Action \(CCA\), Inc.](#) testified, "A Connecticut Child Tax Credit (CT CTC) and an increased Connecticut EITC (CT EITC) would put more money in the pockets of families across our state and make it a little easier to afford childcare, groceries, gas, and other daily expenses. I believe that this would a good step now - on the heels of the Coronavirus - because of our economic challenges in Connecticut and the ongoing commitment to improving the quality of life for heads of household and their children."

[Annie Harper PhD, Yale School of Medicine, Department of Psychiatry](#) testified, "passage of HB 5403 and SB 383 will make Connecticut's tax system fairer and advance racial justice. My research, and that of many others, shows that there is a strong association between financial stress and mental and physical health. When parents struggle with financial stress and related poor health, their children are also more likely to experience poor health, a risk which continues into adulthood. Parents who are financially secure are more likely to be able to plan ahead rather than just focus on immediate concerns, and make financial decisions with a long-term view, rather than engage in short-term coping strategies such as excessive borrowing, which can have detrimental long-term impacts. They are more likely to be patient with their children and partners and avoid authoritative and punitive parenting methods. They are also less likely to be depressed, and more likely to eat a healthy diet and remain at a healthy weight. Babies born into families that are financially insecure may experience toxic stress in utero and in early infancy directly as a result of economic hardship and/or indirectly through their parents' stress. This toxic stress may result in poorly developed stress response systems, resulting in poor impulse control and heightened and persistent feelings of anxiety, even when there is no basis for that anxiety. Children who have experienced toxic stress in utero or very early in life are more likely to struggle at school, and to have mental and physical health problems as adults."

[Eric Harrison, President and CEO, United Way of Central and Northeastern Connecticut](#) testified, "United Way of Central and Northeastern Connecticut is in favor of the proposed measure establishing a Child Tax Credit for Connecticut families starting January 1, 2022. We see the challenges people and families face every day through our work in the community. Child tax credits are one of the most effective policy tools to reduce child poverty, and Connecticut is one of only two states (Connecticut and Pennsylvania) that has a state-level income tax with no child exemption or credit specifically designed to adjust for family size. A Connecticut CTC means that working- and middle-class Connecticut families with children will keep additional hard-earned income, up to \$600 per child, which they can use for the life costs that they prioritize. CTC can provide an important source of flexible income to meet gaps in essential family budget areas including childcare, rent, food, transportation, and medical expenses."

[Jennifer Heath, President and Chief Executive Officer, United Way of Greater New Haven](#) testified, " This would make a difference to so many residents in greater New Haven. As one of our clients shared, once she could take care of her family's basic needs, she had the ability to think about her future and how to achieve her goals. Investing in our residents so that they can get ahead is what will help catapult our state as a whole into a brighter future."

[Lynne Ide, Director of Program & Policy, Universal Health Care Foundation of Connecticut](#) testified, "The Child Tax Credit is an investment in Connecticut families and our future. Now is the time for significant tax relief and reform. The state's financial picture is rosier than it has been for decades. The State Comptroller has projected a FY 2022 budget surplus of \$1.48 billion. The Rainy Day Fund also stands at its statutory maximum of \$3.1 billion.

Child tax credits are one of the most effective policy tools to reduce child poverty. As part of the American Rescue Plan, the federal government temporarily expanded the child tax credit in 2021. Now the extremely effective and popular credit has expired. The temporary federal child tax credit kept 3.7 million children out of poverty and cut food insufficiency among families by 26%. The child tax credit is a proven policy tool that would undoubtedly benefit our state's children and families. Currently, Connecticut is one of only two states, and the only high cost of living state, with an income tax that does not adjust for family size or child-care expenses to help offset the high and growing cost of raising children, and our families are suffering because of it. As of January 2022, it was found that 53% of families in Connecticut had difficulties paying their usual, basic expenses, including food, housing, and utilities. The situation is even more dire for Black and brown families, who are disproportionately affected. It was found that 77% of Black families and 74% of Latinx families have difficulties paying basic expenses. Being unable to afford basic needs, such as food, has a long-term consequence on both physical and mental health of children. Studies have found that children living in food insecure households are at higher risk of developing asthma, are more likely to be hospitalized in early childhood, and are more likely to experience depression or suicidal ideation. This again disproportionately affects Black and Brown families, who experience approximately double the rate of food insecurity than non-Hispanic white families. For the sake of our state's children and families, we urge the passage of H.B. 5403."

[Ronald J. Kolanowski, Rector, Saint Peter's Episcopal Church](#) testified, "the stress on working and middle-class families during the pandemic only magnified problems already present in the community. As a pastor, rather than speak directly to the statistics others will provide in their testimony, I want to highlight two areas in our community that provide evidence of the silent suffering many working families' experience. The first is at our food pantry that provides essential services to clients. In our town of Hebron pre-pandemic our pantry served on average 70 families a week. During the pandemic and continuing still that number doubled to some 140. Secondly, our local Family and Youth Services agency that serves Hebron, Andover, Marlborough and Columbia has seen a dramatic increase in the need for outpatient mental health therapy. In addition, they report that they have seen an increase in requests and services at all of the area schools they serve in our local towns. These pressures on families to not only find available services but resources to obtain services for their children particularly for mental health provide real on the ground challenges to families in our area. The establishment of a child tax credit provides working- and middle-class families with one more resource and tool in their toolkit to address the immediate and long-term needs of their children. I strongly support the creation of this credit that will help working class and middle-class families in our state."

[Luis Luna, Organizer, Connecticut Working Families](#) testified, "if we are able to implement a Connecticut Child Tax Credit under H.B. 5403 our communities can invest that money into their children, no one knows better than a mother where and how to spend money for the family. Having a CT-Tax Credit of \$600 would give mothers across Connecticut the ability to invest in their children."

[Molly Markowitz, MD, Pediatrician](#) testified, "as a pediatrician, every day I witness how poverty harms children. Children who experience hunger, unstable housing, violence, and parental mental health challenges experience poorer health outcomes such as higher rates of obesity, asthma, poor school performance, and emotional and behavioral challenges. The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are powerful anti-poverty interventions, which lead to improved child health. Research has shown that receipt of tax credits such as the EITC and CTC is associated with reduction in the incidence of low birth weight, improved prenatal care, reduced childhood injuries and behavioral problems, and improved nutrition. As pediatricians, we believe that the EITC and CTC are such important anti-poverty tools that our clinic actually offers free tax preparation services to our families."

[Stephen Monroe Tomczak, PhD, LMSW, Social Welfare Action Alliance \(SWAA\), Connecticut Chapter](#) testified that the bill, "aligns with SWAA-CT's values of social and economic justice, in that they enhance economic security for working families in Connecticut. Expanding the state EITC and establishing a child tax credit - as well as other necessary supports for economically disadvantaged families with children - are important steps towards a more economically just society. From a longer-term perspective, however, we should consider shifting towards more universal programs that guarantee employment at adequate wages, universal income supports, among other economic human rights."

[Patrick O'Brien, PhD, Research and Policy Fellow, Connecticut Voices for Children](#) noted, "establishing the CT CTC would make Connecticut's tax system fairer and help both working-class and middle-class families make ends meet. Although working-class families (i.e., income decile 1) pay the highest percentage of their income in state and local taxes, middle-class families (i.e., income deciles 2 through 5) also pay a substantially higher percentage of their income in state and local taxes than the wealthy. For example, a family in Connecticut making \$97,400—the average middle-class income—pays on average 15.5 percent of their income in taxes, which is more than twice the effective tax rate for a family making millions of dollars a year. Moreover, because Connecticut's tax system does not adjust for family size and/or child care expenses—unlike nearly every other state with an income tax—it especially burdens families with children and child care expenses...Put in more general terms, in failing to adjust for family size or child care expenses, Connecticut's tax system makes it more difficult for families to have children and incentivizes families that already have children to leave the state."

[Deb Polun, Executive Director, Connecticut Association for Community Action, Inc.](#) testified, "Connecticut is one of the only states that does not adjust income tax for family size or child care expenses. Yet, we know the high costs of raising a family in our state. This session, we have an opportunity to make things a little bit easier for parents and caregivers by creating a state Child Tax Credit. This credit would put more money in families' pockets, allowing them to buy food, clothing, and other necessities; more easily pay their rent, mortgage, or child care costs; and pay down debt. Approximately 600,000 children in Connecticut would benefit from this credit, including virtually all of the 100,000 children statewide who live in poverty, as well

as kids in moderate income families who also could use help with rising costs. Child tax credits are an incredibly effective tool to reduce poverty. This isn't a guess or a prediction: we know this because the American Rescue Plan Act expanded the federal child tax credit last year, temporarily lifting Connecticut children out of poverty. In addition to improving the "now," long-term studies show that lifting low-income families' income when a child is young is associated with better health, more schooling, more hours worked, and higher earnings in adulthood. Unfortunately, Congress let the enhanced credit expire. Now that the credit has ended, experts estimate that poverty rates have risen again. With a large budget surplus, Connecticut has the opportunity this year to provide both increases to programs/providers and tax cuts. Many of the tax cuts proposed this session focus on the middle class, including an increase in the property tax credit and a reduction in the car tax. These are popular proposals that certainly will help people."

[Sheldon and Emily Rasgo, Registered Nurses](#) testified, "My husband and I are employed full-time and work as registered nurses in the Hartford area. We have 2 children, ages 4 and 1.5 who we entrust in the care of our wonderful early childhood educators each day so that we can do the important work that we do. We are just "making it" financially, and by just making it this includes but is not limited to— borrowing money from both sets of our parents and having to get a second job. It is unbelievable that two working parents, with decent salaries, are under an incredible amount of financial stress due to childcare expenses. All the while, the employees at these same amazing childcare centers are extremely underpaid and short staffed, as we know these two things go hand in hand. Our center owners are also underpaid and in dire straits financially. These problems have been here for a long time, but COVID-19 has exposed them on a larger scale. A start to fix this would be to pass bills S.B. 383 and H.B. 5403."

[Kristin Reese, MD, Pediatrician, et al](#) testified, "as pediatricians, we witness firsthand the toxic stress created by financial strain. Roughly one third of New Haven's children, for example, live in poverty. Poverty threatens child health. Families with limited financial means often struggle to afford basic necessities, eat nutritious food, stay physically active, and manage chronic conditions. Poverty increases the risk of developing asthma, obesity, and numerous other health conditions...There is a body of research demonstrating that children raised in families receiving the Earned Income Tax Credit and Child Tax Credit do better in school, are more likely to attend college, and can be expected to earn more as adults. These critical economic investments in young families generate lifetime savings in medical care and social support. They help keep children healthy, and healthy children grow up to be healthy and productive members of our communities. "

[Stuart Savelkoul, Chief of Staff, American Federation of Teachers \(AFT\) Connecticut](#) testified, "AFT Connecticut is in full support of SB 383 and HB 5403 because we believe they will provide targeted relief to the residents of our state who are the most desperate for real support. The Earned Income Tax Credit and the Child Tax Credit can be financial lifelines for our state's low-income earners and their families. By raising the EITC and packaging it with the CTC, working families in Connecticut will have an increased opportunity to find their footing and to finally find a way to get ahead. Economic security for our state's lowest earners will only increase the economic development of our state as a whole, effectively making this bill a boon for everyone in Connecticut – whether they directly receive the EITC and CTC or not."

[Roger Senerrich, Communications Director, Connecticut Working Families Organization](#) testified, "Connecticut Working Families supports H.B. 5403, An Act Establishing a Child Tax

Credit Against the Personal Income Tax because it will make the tax system more progressive, support work, and support children in our state. Both the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) are proven, effective tools to support children and working families...The CTC has proven effective not just in reducing child poverty now, but data has consistently shown an impact on school achievement and development, as well. The question is not, right now, if we can or cannot afford these tax credits. The question is why we can keep telling hard-working families and parents to continue paying a higher tax rate than hedge fund managers, year after year, after two years of grueling economic crisis and rising prices."

[Caroline Tanbee Smith, Resident, New Haven, Connecticut](#) testified, "It is clear every single day the role that essential, foundational needs of a household — such as housing, childcare, and food — have on an entrepreneur's ability to build a sustained business. It's powerful to imagine the ways in which the Child Tax Credit combined with the Earned Income Tax Credit could have a strong impact on an individual and family's ability to have more autonomy, choice, and ownership in their lives. With hardworking families and aspiring entrepreneurs having more money in the bank account, they could have more income to buffer, save, and invest in the ability to start a business (from local retail spots to restaurants to scalable ventures)."

[Lisa Tepper Bates, President and Chief Executive Officer, United Way of Connecticut](#) testified, "the 2020 Connecticut ALICE Report provided by the Connecticut United Way network is a data-driven approach to help us understand the true cost of living in our state, based on real and accurate information regarding the costs specific to our communities. That report revealed that nearly 40% of households across our state were living paycheck to paycheck even before the onset of the COVID-19 pandemic. Despite working hard at the jobs available to them, these households struggle to afford life's most basic necessities such as housing, food, child care, transportation, technology, and healthcare.

Connecticut is a particularly high cost of living state, compared to others. Connecticut consistently ranks among the 10 highest cost states in America for housing, and the cost of child care in Connecticut consistently shows us in the top five most expensive....For every CTC dollar a recipient earns, they return \$1.38 to the economy, supporting not only their families but also their local economies and communities...The federal EITC, CTC, and other federal benefits are tremendously helpful to working people, including our ALICE population. However, the fact that federal benefits do not scale with local costs means that federal benefits alone are not sufficient to support our ALICE families. Action at the state level to address state-specific challenges of high cost of living is required."

[Christopher Trombly, Associate Professor, Southern Connecticut State University](#) testified, " I also had the distinct honor of co-chairing with Dr. Alicia Roy the Task Force to Study the Comprehensive Needs of Children in the State, which had been empaneled, last year, pursuant to Public Act 21-46. I appear before you, today, not only to voice my personal support for House Bill 5403, but also to underscore for this committee that the establishment of a Child Tax Credit was among the recommendations that were made by the Task Force in its final report, which was transmitted to the Committee on Children in December. As the Task Force wrote in our report: *Despite having among the highest per capita income and the highest per capita wealth of any state in the nation, Connecticut is also distinguished as having among the greatest gaps in both household income and household wealth – and, by extension, in health outcomes, access to healthcare, and academic achievement.* (p. 6).

As we also shared in our report: *In 2018, well before the onset of the COVID-19 pandemic, 11% of Connecticut households were below the federal poverty level. That same year, 27% of households in Connecticut qualified as ALICE – a 40% increase in such households from 2007 until that date (Connecticut United Way, 2020). (p. 6) Moreover, the state’s income and wealth disparities are not proportionately distributed across all racial and ethnic groups. As of 2018, 38% of all households in Connecticut fell below the ALICE threshold, but 57% of Black households in the state – and 63% of Hispanic households – fell below that threshold. (p. 7)*

[Paola Vargas, Student, Intern, Radical Advocates for Cross-Cultural Education \(RACCE\)](#) testified, "a CTC would be a fair and equitable way to boost poor and working families as well as close the gaps that exist between families of color and their white peers. Even \$600.00 per year, per child would have an immense impact for 600,000 children in our state. A CTC of this size would allow thousands of families to buy higher quality foods, pay for emergency expenses, child care, more family recreation time, and other daily expenses that are often put off to the next paycheck. My experiences working at RACCE and other non-profit service providers helps me better understand the layers of financial insecurity and how that negatively impacts Connecticut families and in some cases forces them to move. Financial insecurity makes family make decisions that no one should be forced to make. This phenomenon has a huge impact on our communities and in some places, like Waterbury, makes it very difficult to develop a sense of community and belonging."

[Alison Weir, Policy Advocate and Attorney, Greater Hartford Legal Aid](#) testified, "Legal Services supports the concept of H.B. No. 5403, but we would urge the committee to restructure the program to more closely resemble the recently concluded federal Advance Child Tax Credit, which provided a fully refundable child tax credit to lower income families. The proposed bill would create a two-tiered child tax credit, one that would provide a \$600 nonrefundable credit, in essence for higher income families who pay more in tax, and one that provides a partially refundable \$420 credit, which is capped at not more than 4.5% of the taxpayer’s federal Adjusted Gross Income—so families without any earned income cannot benefit at all from this program. In this way, the proposed child tax credit is very unlike the Advance Child Tax Credit...It serves to continue the great disparity in wealth in the state. There is a chance to make a real dent in child poverty in Connecticut with a more focused program that includes those families most in need of assistance. The concept of a child tax credit is great, but to be most effective, the child tax credit should be more focused and not privilege higher income families at the expense of lower income one."

NATURE AND SOURCES OF OPPOSITION:

[David Godbout, Connecticut Resident](#) opposed the bill on the grounds that the current session of the Connecticut General Assembly is illegal, in breach of Article 3, Section 16 of the State Constitution.

Reported by: Brie J. Wolf

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