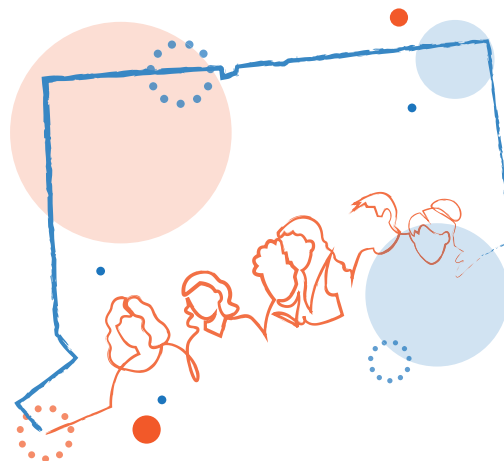


Protecting and Restoring Connecticut's EITC



Background

In 2011, after a 12-year campaign by advocates across the state, Connecticut enacted a state Earned Income Tax Credit (EITC) worth 30% of the federal credit, at the time one of the most generous EITCs nationwide. The refundable credit was immediately a powerful anti-poverty tool for a state reeling from the Great Recession. In its first year, the credit supported about 180,000 households with an average benefit of about \$600, making a difference for lower-income families across the entire state.

However, in 2013, the Connecticut state government faced a sudden budget shortfall. Connecticut has particularly stark economic inequality, with extreme wealth concentrated in counties bordering New York City. For example, Hartford's median household income was \$36,278 in 2019, while the median household income in Greenwich was \$152,577. Many of the wealthiest residents of Connecticut earn significant portions of their income from large investment portfolios that are [sensitive to changes in the stock market](#). During the economic crisis that began in 2009, these portfolios suffered – and so did Connecticut's income tax revenue.

In response, the state legislature voted in 2013 to increase taxes and reduce the state EITC to 27% of the federal credit. Over the following decade, faced with various budget shortfalls, the EITC was cut down to 23%. During the 2021 legislative session, the Connecticut EITC was finally raised to 30.5% of the federal credit. The increased credit will equate to an additional \$34.1 million annually to all Connecticut EITC recipients, or about \$176 each for nearly 194,000 households.

Campaign Structure and Strategy

The Connecticut Association for Human Services (CAHS) began advocating for a state-level EITC in 2003, nearly a decade before the credit was first passed in 2011. CAHS supported the creation of the Family Economic Security Coalition, comprised of anti-poverty advocates across the state ranging from faith groups to Volunteer Income Tax Assistance (VITA) programs. Through the coalition, which meets to discuss economic opportunity-related policy issues, CAHS and the coalition's members developed strategies to advocate for first enacting and later expanding the state EITC.

Once the state EITC was passed in 2011, CAHS and the Family Economic Security Coalition dedicated the next decade to defending the credit and trying to increase it after the credit's value was slashed. By 2021, it finally looked like the opportunity to restore the credit had arrived.

Liz Fraser, director of policy at CAHS, said that having a diverse coalition was critical for garnering the support necessary to pass the EITC increase. The different groups and individuals involved each had unique ties to different legislators and were able to speak to their questions and policy priorities. Furthermore, their geographic diversity allowed the coalition to promote the credit at both the local grassroots level and statewide. Every year since the credit's passage, the coalition has reevaluated and rebuilt its advocacy strategies to lead a broad campaign to expand the state EITC. CAHS has received grant funding that helps support the advocacy work and guarantee that the coalition has the capacity to develop the resources it needs to support its policy goals.

In the 2021 legislative session, the Connecticut EITC expansion was significantly advanced by state Sen. Martin Looney, the president pro tempore of the Senate. Looney is a strong proponent of the EITC and had been personally advocating for its expansion for multiple years. In part because of his support, expanding the credit was already a strong possibility heading into 2021.

Fraser said that one of the biggest lessons the coalition has learned is that “sometimes it takes seven or eight years,” to achieve a policy goal like EITC expansion. “The first few years, you might not make much progress,” she said. It takes time to lay the groundwork necessary to enact a policy change, and sometimes unexpected circumstances can delay the goal.

Connecticut has a particularly prohibitively high cost of living and expanding the state EITC is a way for state lawmakers to help the state become somewhere where everyone can thrive. The United Way Connecticut ALICE (which describes households that are Asset Limited, Income Constrained, and Employed) Report found that 38% of households in the state struggle to make ends meet, and that a survival income for a family of four is at least \$90,660 per year. Of note, 57% of Black households and 63% of Hispanic households in the state live below the ALICE threshold. While the EITC is targeted to the lowest-income households, the credit and similar credits like the Child Tax Credit (CTC) can help families bridge the gap between their income and meeting their essential needs.

Explaining the connection between the EITC and long-term family success to policymakers was essential for CAHS and the coalition. As the COVID-19 pandemic has continued, “people really need the extra cash,” Fraser said. Expanding the credit could not have come at a more crucial time. The Connecticut EITC will help families recovering from financial crisis brought on by the pandemic and help build family economic security for years to come.

Key Messages

The EITC provides families with the resources they need to meet their essential needs and pursue their long-term goals. The U.S. and state social safety net is a patchwork of programs that provides limited support for families, often with many strings attached. “People say that you should pick yourself up by your bootstraps, but when you’ve taken the bootstraps away, it’s really hard,” Fraser said. The EITC can help bridge the gap between household income and household needs, and particularly advance economic opportunity by helping people afford things like education, job training, and childcare.

The EITC is a tool for racial equity. According to the [National Women’s Law Center](#), the tax system is inequitable because “women and people of color face a double squeeze: they aren’t receiving tax subsidies that wealthy families get and they don’t receive enough from spending-side foundational support programs.” [Tax policy experts](#) have pointed to the EITC as a measure that all state tax systems should include because the credit offsets regressive tax measures like sales taxes and promotes equity. The EITC has particularly notable benefits for women of color – 9 million women of color [receive the credit](#) annually. There is a racial wealth gap, income gap, and education gap in Connecticut, Fraser said. “If we’re leaving a lot of the population behind, we’re not going to really be able to grow and flourish as a state,” she said.

The EITC has a multi-generational impact, positively impacting both working parents and their children.

The EITC doesn’t support just the adult taxpayers who receive it – their children also feel its benefits. “When parents do better and have more financial stability, their children do better,” Fraser said. “The stresses of living in a situation where you’re worried about paying the rent, for example, has really negative impacts on children.” Research shows that the EITC is associated with long-term benefits for children’s [health](#), [education](#), and future earnings.

Essential, low-income workers have been most impacted by the COVID-19 pandemic, and the EITC supports their financial security.

The grocery store clerks, childcare providers, hospital staff, and many other frontline workers who have kept the economy running throughout the COVID-19 pandemic are also those who have withstood the worst of the virus’ impact. Many workers in these roles have faced cuts to their hours throughout the pandemic and have been most likely to be infected with COVID-19, while being paid low wages. Enacting a state-level EITC is a way to provide support to those who have faced some of the pandemic’s greatest burden.

The EITC directly benefits local communities.

Families spend the EITC on necessities at businesses in their community, using it for food, childcare, and needed car repairs. Research [shows](#) that recipients spend it almost immediately, providing a boost to small businesses. “Ultimately, these tax credits improve entire communities because these dollars are being invested right back into our local economy through groceries, transportation, clothing, rent, utilities, and other necessary expenses,” Connecticut Gov. Ned Lamont [said](#) about the increased EITC.