



Connecticut's Earned Income Tax Credit: A Boost to Working Families in Every Town

January 2013

In 2011, Connecticut lawmakers took historic action to establish and implement a state earned-income tax credit (EITC). After the first full year of the credit's existence, its impact is clear. Data provided by the Department of Revenue Services (DRS) show that the credit is a boost to working families – including hundreds of thousands of children – in every city, town, and county in Connecticut. From Bridgeport to Bozrah, Danbury to Danielson, the EITC put hard-earned dollars back in the pockets of working people – making work pay, helping make ends meet, and keeping children out of poverty.

Connecticut's Working Families Benefit

The Connecticut EITC, worth 30 percent of a filer's federal EITC, took effect in tax year 2011 – and in 2012, hundreds of thousands of low-income people benefited from the credit. More than 180,000 working families in Connecticut received the state earned-income tax credit. On average, these households had gross incomes of about \$18,000 – what a single parent working full-time just above minimum wage would have earned before taxes. The average state credit among these households was about \$600, on top of a federal credit of about \$2,000.

Connecticut's EITC: By the Numbers ¹	
Total Households Claiming EITC	181,620
Total Credit Amount	\$109,194,583
Average State Credit Amount	\$601
Average Filer Income	\$17,957

Table 1. Town-level EITC figures are available on the accompanying data sheet.

The Reach of the Connecticut EITC

According to 2010 estimates by the Brookings Institution, **more than 500,000 Connecticut residents** live in households eligible for the credit, including **about 215,000 children**. EITC recipients were largely employed in the retail trade and healthcare industries, and a majority had never gone to college. Brookings estimated that 53 percent of EITC-eligible filers in Connecticut are white; 19 percent are black, and about 22 percent are Hispanic.²

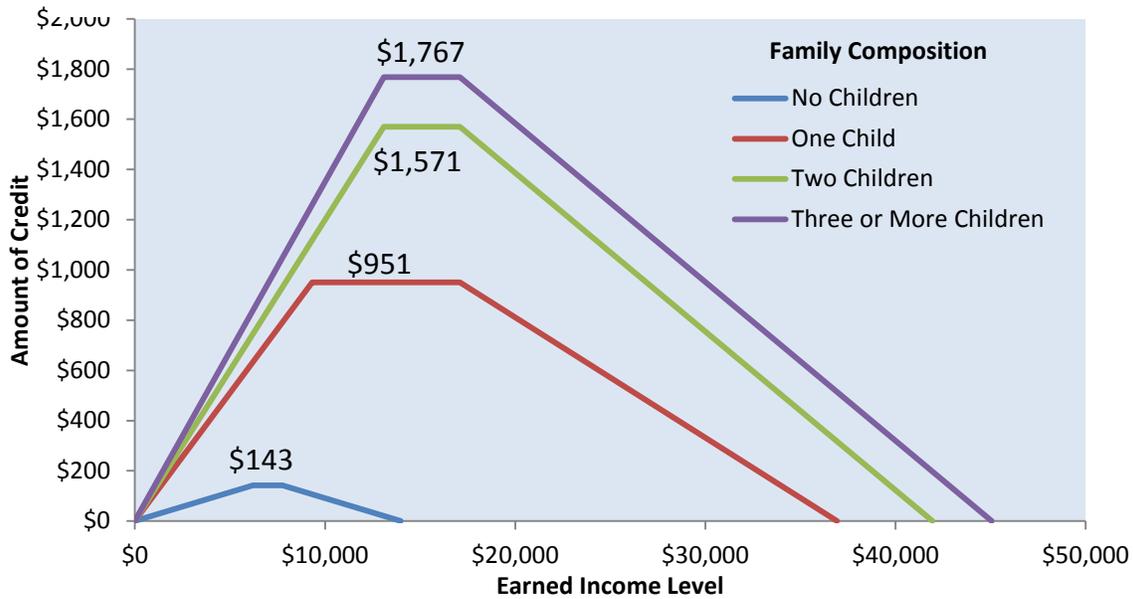
While the demographic characteristics of EITC beneficiaries are diffuse, they share one unifying characteristic: **they all worked during the previous year**. The EITC can only be claimed by people who earn income through work, and it is structured to encourage people to work more hours. Beginning with the

¹ Fiscal Policy Center analysis of tax year 2011 data prepared by the Connecticut Department of Revenue Services (DRS)

² <http://www.brookings.edu/~media/Programs/metro/EITC/states%202012/CT.pdf>

first dollar, a worker’s EITC grows with each additional dollar of earnings until the credit reaches maximum value – creating an incentive for people to leave welfare for work (see Figure 1 for a schedule of the income limits and phase-outs).

Figure 1: Value of Connecticut EITC, 2012



Credit amounts for single filers. Source: Internal Revenue Service and Tax Policy Center data

The Benefits of the Connecticut EITC

The EITC gets and keeps people working. The credit can only be claimed by people who earn income through work, and is structured to encourage people to work more.

The EITC makes the state tax code fairer and more progressive. The EITC was critical in offsetting the regressive impact of sales tax increases contained in the FY 2012-2013 biennial budget. People only receive the credit if they work and pay taxes, including federal payroll (Social Security and Medicare), state, and local taxes.

The EITC is a proven anti-poverty tool. The federal EITC lifts more children out of poverty than any other federal program. In 2011, the federal EITC alone kept 61,000 people in Connecticut above the poverty line, including 35,000 children.³ Nationally, the EITC kept 6 million people out of poverty, including 3 million children.⁴ The EITC is essential to ensuring that working families can make ends meet, and helps those who work hard to support their families and stay out of poverty.

Ultimately, the EITC encourages and supports work as an alternative to public assistance – and is a relatively small investment that makes a big difference in the lives of Connecticut’s working families.

For a town- and county-level analysis of the distribution of the EITC benefits, see the accompanying data sheet.

³ Fiscal Policy Center analysis of Current Population Survey (CPS) 2012 Annual Social and Economic Supplement.

⁴ *Ibid.*