

WHO WOULD BENEFIT FROM A CONNECTICUT EITC?

WORKING PARENTS, CHILDREN, AND ALL CONNECTICUT RESIDENTS



EITC FACTS

- When children ages 0-6 whose families' annual income is under \$25,000 received a boost of \$3,000 annually, the children's future earnings increased 17%
- Over 50 percent of those eligible for the federal EITC are White, 17 percent are Black, and 22 percent are Latino

As legislators and the public consider the proposed budget, the effects of program cuts and tax increases are on everyone's mind. Along with balancing the budget, policymakers must get the state's economy back on track. To accomplish this, short-term fiscal priorities must be weighed with an understanding of what it takes to build long-term prosperity that benefits all residents.

HOW WILL CONNECTICUT RESIDENTS BENEFIT FROM A STATE EITC?

Raising children out of poverty during their early years has long-term economic benefits for children and the economy. Childhood poverty has a profound negative impact on children's physical, emotional, and cognitive growth. [From birth through age five](#), when the pace of development is at its peak, poor nutrition and health, limited cognitive stimulation, stress from the environment, and many other factors can damage a child's potential. [Even a small increase in income can have lasting positive effects.](#)

Using data from the national Panel Study of Income Dynamics, researchers examined the effects of income on early development, educational attainment, and adult outcomes for

children born between 1968 and 1975. Poor children in the study completed fewer years of school, earned less than half the income, worked 451 fewer hours per year, received \$826 more in food stamps per year, and were nearly three times as likely to report poor health as adults than their peers whose families earned 200 percent of the Federal Poverty Level.

Children whose families move out of poverty have a greater chance of success in school and later in life. Researchers found when children ages 0-6 whose families' annual income is under \$25,000 received a boost of \$3,000 annually, the children's future earnings increased 17%.

The life trajectories of Connecticut children who grow up in poverty will have an impact on cities and towns across our state. As we think about rebuilding Connecticut's economy, we need to think of our future citizens, workforce, and quality of life. An investment in a state EITC is an investment in Connecticut's future.



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WHO IS ELIGIBLE FOR THE FEDERAL EITC, AND HOW DO THEY SPEND THE CREDIT?

According to the Brookings Institution, a nonpartisan national public policy organization, over 50 percent of those who qualify for the EITC are employed in one of five business sectors:

- Retail trade,
- Health care,
- Accommodations/food service,
- Manufacturing, and
- Construction.

Several of these industries have been severely hit by the current economic downturn, resulting in layoffs, reduced hours, and cut backs in wages for those who were lucky enough to hold on to their jobs.

By race and ethnicity, over 50 percent of those eligible for the federal EITC are White, 17 percent are Black, and 22 percent are Latino. Slightly more than half of those eligible have earned a high school diploma or less.

Several studies conducted over the past decade show that EITC recipients spend their credit in one of two ways: (1) to make ends meet, which includes rent, utilities, food, clothing, and household expenses; and (2) social mobility, which includes debt repayment, savings, home improvements, medical bills, the purchase of a car for work, and tuition.

Creation of a state EITC could raise more children and families out of poverty and increase spending in Connecticut cities and towns.

ONE FAMILY'S EITC STORY

Bridgeport residents Cynthia and Steven Adams both work. They have two adopted children under five years of age. Cynthia is a second-shift supervisor at a national chain store; her husband works in maintenance. Their combined family income is well under the Federal Poverty Level for a family of four—\$22,350 in 2011.

The Adams family qualified for the federal EITC for the 2010 tax year as well as for the Child and Adoption Tax Credits. They plan to use their refund to pay bills and move into a larger apartment. Since adopting their second child, the family has needed more space.

Before getting the tax credits, Cynthia, Steven and their children were living paycheck to paycheck, pinching here and there, struggling to get by, as many families do. The tax credits made a huge difference to them.

Again like many families, they were able to put money aside from time to time, but an emergency would come up and deplete the funds, so they'd start over. With the tax credits, they've been able to set up an emergency fund in a savings account for the first time. Cynthia and Steven will set up a college fund for their children—even if only a small amount, just to start.

FOR MORE INFORMATION ABOUT THE EITC,
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