

# State would be well served by EITC of its own

By **MICHAEL T. PAULHUS**

Families across Connecticut are working hard but struggling to make ends meet.

There's no silver bullet to move families into the middle class. But one federal policy has been more successful in moving families out of poverty than any other, and there's an opportunity for the state legislature to implement that policy in Connecticut.

It's the earned income tax credit, or EITC. In 2003, more than 20 percent of Windham tax filers received the federal EITC, returning more than \$3.6 million to local families. Under a bill the General Assembly is considering (S.B. 147), a state EITC would provide these same families with another \$600,000. That money would help families locally and also provide a boost for our economy.

The EITC is a hand-up, not a handout. Working families with incomes up to \$37,263 qualify for the EITC, which would be the same threshold for a Connecticut EITC. It goes only to working people, and families with two or more

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kids receive the maximum benefit. At the federal level, that's \$4,400 for families earning between \$11,500 and \$16,000 with two or more children.

The average federal credit is \$1,600; the average credit projected for a state EITC would be \$313.

That money is a major incentive to work for people who don't earn much. That's important in slow-growing places like Connecticut, where we need to attract new people into the workforce. The credit makes a big difference for families, helping them pay the rent, child-care expenses and sometimes even a "luxury" like a computer to improve parents' job skills and help kids learn.

The EITC is also a big boost for the local economy. Families receiving the credit spend that money locally, on necessities like food, housing and utility bills. In fact this time of year, local businesses see a spike in sales of appliances and other big-ticket items

that many families can afford only when they receive their refunds.

The EITC also helps local businesses another way: it effectively raises the wages of their low-paid workers. Many small businesses can't afford to pay their workers more, but we want to help them grow.

On another front, the EITC is helping communities by allowing more families to build savings for long-term assets, like buying a home. The Access Agency, in partnership with the Town of Windham and the IRS, has opened two volunteer income tax assistance (VITA) centers in Willimantic.

The second VITA site was opened this year in the Village Heights housing complex. The VITA center was funded through a federal Weed and Seed grant that focuses on a strategy of investments that revitalize communities. The Access Agency helps EITC filers by preparing their taxes for free, and then encourages them to open bank accounts and to save some of their tax refunds for homeownership programs and

Individual Development Accounts (IDAs, matched savings accounts). They're also linking clients to credit counseling and financial education.

The federal EITC is creating a lot of success stories locally, like families that can now afford a car to get to their job and drop their kids off at childcare. The second VITA site has already processed 200 returns and combined the two sites are expected to double the number filed in 2005. Those successes can grow with a state EITC.

The EITC is effective. It puts money into the pockets of low-income families. It rewards people who work hard for low wages. It is time for Connecticut to invest in successful working parents and their kids by creating a state EITC. Those families will turn around and invest that money in our local economy, and help create long-term prosperity for themselves and for the state.

*Paulhus is first selectman of Windham. The opinions of this column do not necessarily reflect the opinions of the Chronicle.*