2022 Connecticut United Ways
Policy Priorities Fact Sheet

CT Earned Income Tax Credit (CT EITC) – *Make Work Pay!*

Our Ask: Maintain the CT EITC at 41.5% of the federal rate into future years.

History of the Connecticut Earned Income Tax Credit

- The CT EITC is a refundable state income tax credit for low to moderate income working individuals and families that is benchmarked to the federal EITC.
- Federal and state EITCs have been adopted in 30 states with bi-partisan support to reduce taxes, incentivize work, and supplement wages for low and moderate earners.
- In 2021, an executive action enhanced the CT EITC to 41.5% for tax year 2020.
- Permanently increasing the CT EITC rate to 41.5% from 30% will provide, on average, $925 of needed income for over 200,000 struggling CT households.
    - $925 is a month of rent, two months of utility bills, or two months of daycare for a toddler.
- Eligible individuals and families must file tax returns to receive the federal and CT EITC.

An enhanced CT EITC is critical to support CT working households and a competitive economy

- CTC provides an important source of flexible income to meet gaps in essential family budget areas including childcare, rent, food, transportation, and medical expenses for ALICE households -- the 38% of CT residents struggling every month to make ends meet.
- For every EITC dollar a recipient earns, they return $1.24 to the economy – supporting local businesses and communities as they meet family needs.[1]
- Other high cost of living states have prioritized state-level EITCs to provide flexible income to help families meet gaps in rent, food, childcare, transportation, medicine, and other essential family budget areas.
    - *New Jersey provides a 40% EITC for eligible residents;*
    - *Maryland at 50%;*
    - *South Carolina will be at 125% by 2023.*

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[1] Moody's Analytics estimate of financial multiplier

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Connecticut Child Tax Credit (CTC) – *Support Parents and Caregivers Who Work!*

Our Ask: Create a fully refundable CT Child Tax Credit at 30% of the federal CTC.

It's time for CT to join with the majority of states to support families with the high cost of raising children

- The federal child tax credit (CTC) is a tax credit designed to help ease the high cost of raising children for working and middle-class families.
- CT does not have a state-level CTC that mirrors the federal credit or offer any tax break, such as a child exemption or deduction, specifically designed to ease the financial burden of raising children.
- The majority of states provide tax breaks to offset the costs associated with raising children.
    - *Six states have a state Child Tax Credit and 23 states and the District of Columbia have a Child and Dependent Care Tax Credit.*
- The enhanced federal CTC, credited for major reductions in childhood poverty, expired in December 2021.
- Due to the financial demands on families in CT, in 2021 the General Assembly directed the Administration to draft a plan on the feasibility of a new state credit, if the federal expansion expired, to be submitted by June 2022.

Establishing a Connecticut CTC is good for businesses, workers, and the entire community

- 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.
- COVID-19 has had a devastating economic impact on families and on our economy: establishing a state CTC can provide needed flexible income for struggling families, while providing an important economic stimulus.
    - 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.[2]
    - Creating the CT CTC at 30% of the federal CTC would provide $1,200 for a family with two children.

ALICE households, children, families of color will benefit from a Connecticut CTC

- In Connecticut, 33% of families with children (nearly 123,000 households) are ALICE. Creating a fully refundable CT CTC will provide these families $600-$1,800 of much-needed flexible income.
- Creating a CT CTC that is fully refundable will benefit families of color, who are disproportionately represented in the ALICE population and have been disproportionately impacted by COVID.
    - 57% of Black households, 63% of Hispanic Households in CT live below the ALICE threshold.

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[2] Moody's Analytics estimate of financial multiplier

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2022 Connecticut United Ways Policy Priorities Fact Sheet Eliminate Asset Limits for Temporary Family Assistance (TFA)

Our Ask: Eliminate Asset Limits for Connecticut TFA applicants and recipients*.*

Asset limits reduce participation of families in need

- Current CT assets limits require a family to have **less than $3,000 in savings** and a **car worth no more than $9,500** in order to be eligible for TFA.
  - *$3,000 is **less** than first and last month rent + security deposit in Connecticut. The average rent for a one-bedroom apartment in Hartford in 2021 is $1,150 – up 10% from 2020.*
- Federal SNAP rules require states to *disregard* $4,650 of car value/household and allow exclusion of one vehicle of any value. 16 states exclude all vehicles from eligibility consideration for both SNAP and TFA.
- Requirement to document possible assets makes application for TFA long, complicated, and burdensome, and discourages people from applying even when they need this support.

Removing asset limits can reduce the state's administrative costs

- Asset limit requires substantial DSS paperwork and labor to administer.
- CT pays one of the highest percentages of administrative costs of all states with TANF block grants.
- 8 states have eliminated TANF asset limits: AL, CO, HI, IL, LA, MD, OH, VA saving time and costs
  - **Virginia** forecasted reduced costs, estimating that the state would **save in administrative costs three times the cost of additional benefits**.
  - ***Oklahoma saved approximately $1 million in administrative costs*** *eliminating Medicaid asset test.*
  - **Colorado** projected that doing so would **save caseworkers up to 90 minutes per case**.[3] **Asset limits in TFA prevent families from saving, thus impede a family's efforts to escape poverty.**
- TFA asset limits are too low to allow for any meaningful savings.
- Families need to have reliable transportation to get to and from work, childcare, and essential services.

Removing limits would support efforts to address intergenerational poverty

- Asset limits make it impossible for a family to save for a down payment on a house, a reliable car, or education that could lead to a better job.
- CT Baby Bonds program is a good step to address poverty: savings can be a steppingstone to escape intergenerational poverty, *but it's effective only 18 years after birth and applies only to the child*.
- Removing asset limits would allow CT households to save NOW, achieve financial stability in the near term.

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[3] Center for Law and Social Policy: https://www.clasp.org/sites/default/files/publications/2018/04/2018_eliminatingassetlimits.pdf

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United Way
Connecticut United Ways

Align Eligibility for Temporary Family Assistance (TFA) and HUSKY C with federal poverty level to reach CT families in deepest need

Our ask: Adopt Federal Poverty Limit-based eligibility standard for Temporary Family Assistance and HUSKY-C to help more CT residents

TFA currently reaches less than 22% of people in poverty in Connecticut.

- Connecticut is a high cost of living state: approximately 160,000 Connecticut residents live in "deep poverty" – less than 50% of the federal poverty line (FPL)
  - This is less than $13,250 per year for a family of four.
- But ***only 27,797 Connecticut residents received TFA in 2020*** – that leaves more than 130,000 Connecticut residents in deepest poverty without this critical support.

Temporary Family Assistance (TFA) eligibility in Connecticut is based on an outdated and inadequate understanding of the true costs of basic needs

- The so-called "Standard of Need" that determines eligibility for TFA has not been re-examined since 1994.
- Current eligibility standards vary geographically throughout the state.
  - There are three different SON "regions" which do not correspond to the true, substantial differences in cost of living between many towns and cities.

Current eligibility for HUSKY C (health insurance for people living in poverty who are aged, blind, or disabled) in CT is among the most restrictive in the nation

- CT has the ***lowest*** income eligibility standard of any state at 65% of FPL/$6,276 annual income and the ***second lowest*** asset limit at $1,600
- HUSKY C enrollments are declining in CT – enrollment for other HUSKY benefits is increasing: this is evidence that the *current eligibility is leaving people behind who need HUSKY C*.
- Federal law allow eligibility for HUSKY C-equivalent coverage for incomes up to 100% FPL.
  - 18 states have already adopted this standard (AZ, CA, DE, HI, IL, IN, MA, ME, MI, MN, NE, NJ, NC, OK, PA, RI, SC, UT)[‡]

[‡] Kaiser Family Foundation: https://www.kff.org/medicaid/state-indicator/medicaid-eligibility-through-the-aged-blinddisabledpathway/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Annual%20Income%20Limit%20for%20Individ ual%22,%22sort%22:%22asc%22%7D