



Testimony Re: Article 13, Relating to Making Work Pay
Senate Finance Committee
March 8, 2016
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Mr. Chairman and members of the Committee, thank you for the opportunity to provide testimony today. Rhode Island KIDS COUNT would like to voice its strong support for the proposed increase in Rhode Island's Earned Income Tax Credit (EITC) contained in Article 13 Relating to Making Work Pay. Rhode Island currently offers an Earned Income Tax Credit (EITC) equal to 12.5% of the federal EITC. This budget proposal would increase the state's EITC from 12.5% of the federal EITC to 15% of the federal EITC in 2017 bringing us closer to the credits provided by Massachusetts (23%) and Connecticut (27.5%). Rhode Island KIDS COUNT also supports the proposed increase in the state's minimum wage.

EITCs provide tax reductions and wage supplements for low- and moderate-income working families. These tax credits reduce child poverty, decrease taxes, and increase work incentives for families struggling to make ends meet.

The EITC is an Effective Antipoverty Program

The federal EITC is the nation's most effective antipoverty program for working families. In 2013, the federal EITC lifted about 6.2 million people out of poverty, including about 3.2 million children. Research shows that the EITC's benefits extend well beyond the time families receive the credit. EITC recipients are more likely to work and to earn higher wages, and their children do better in school, are more likely to attend college, and earn more as adults.

The EITC as Economic Stimulus

Increasing Rhode Island's EITC would help bring more money into the Rhode Island economy. Strengthening Rhode Island's EITC would also let low- to moderate-income, working families keep more of what they earn, encourage them to keep working, and help families pay for immediate needs. Research shows that families spend their EITC refunds on child care costs and car purchases or repairs that allow them to continue working, to pay down debts, and to save money for the future they can use to pay for education and training and for future emergencies, such as job loss or illness.

We support the proposed increase as well as proposals to further increase the state's Earned Income Tax Credit, which the Governor recommends if revenue projections allow. Together with the proposed increase in the

minimum wage, these measures can help hardworking families meet their basic needs and put more money into the local economy.

Thank you for the leadership the General Assembly has shown in the past and in this session in considering and passing legislation that helps working families make ends meet now and helps them build their economic stability for the future. And thank you for the opportunity to testify today.