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Testimony Re: House Bill 5013 Regarding Increasing the EITC
House Committee on Finance
May 6, 2021
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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 House Bill 5013 which would increase the state's Earned Income Tax Credit (EITC) from 15% of the federal EITC to 20% of the federal EITC beginning on or after tax year 2021, bringing us closer to the credits provided by Massachusetts (30% of federal EITC) and Connecticut (23% of the federal EITC).

The EITC is a common sense tax break that reduces the income tax owed by low- and moderate-income working families. These tax credits reduce child poverty, decrease taxes, help families struggling to make ends meet, and generate economic activity for our state.

The EITC is an Effective Antipoverty Program

The federal EITC is the nation's most effective antipoverty program for working families. In 2018, the federal EITC lifted 5.6 million people out of poverty, over half of them 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.

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. Together with the proposed increase in the minimum wage, an increase in the EITC can help hardworking families meet their basic needs and put more money into the local economy.

Thank you for the opportunity to testify today.