



Public Testimony
House Finance Committee
Re: Increasing the EITC
House Bill 5791
May 30, 2017

Submitted by The Rhode Island Interfaith Coalition to Reduce Poverty

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Good afternoon. The Rhode Island Interfaith Coalition to Reduce Poverty is a coalition of diverse religious communities and advocacy partners throughout the state who have come together to fight poverty.

We are writing to voice our organization's strong support for House Bill 5791 which would increase the Rhode Island Earned Income Tax Credit (EITC) from fifteen to twenty percent of the federal credit, starting for the January 1, 2018 tax year.

First, thank you for the work you've done over the past several years to increase the RI EITC. This has been an important step, relieving financial pressures for many low- and moderate-income families. We are glad that you are today considering continuing even further on the road you've begun. As a state-wide coalition, we particularly appreciate the breadth of the RI EITC's impact. Eligibility of the RI EITC stretches from border to border.¹ It positively impacts *all* our communities.

We believe the EITC (at both the state and federal level) is an effective and necessary strategy to reduce poverty and near-poverty conditions, especially for children. In Rhode Island, almost one in five children live in poverty. The EITC has a targeted effect on families with children. As families struggle to make ends meet, there is a meaningful difference between 15% and 20%. Each additional percentage point written into law has an impact. To put it in concrete terms, that percentage point buys a couple more boxes of diapers, helps stock up on groceries for a good part of an extra week, or replaces a tire on a struggling car.

Further, we believe an increase to the RI EITC would strengthen the economic fabric, as a whole. One in-depth study of EITC recipients in Massachusetts looked at how families spent their refunds: 24% went to paying bills, stockpiling groceries, diapers and household items, etc.; 21% went to asset-building expenses like growing a small business, education, or car and home repairs; 11% went to what the researchers deemed "treats," often children's luxuries, like toys or a birthday meal at a

¹ Economic Progress Institute, February 2016,
<http://www.economicprogressri.org/Publications/ViewPublication/tabid/183/ArticleId/202/Making-Work-Pay-for-Working-Families-Increasing-the-States-Earned-Income-Tax-Credit.aspx>

child's favorite restaurant; 25% went to paying down debts or overdue bills; and 17% was saved. (2%, on average, went to tax preparation fees.)² If their study is also representative of Rhode Island spending – and there is no reason to believe it would not be – then we see that the vast majority of the money received in the EITC refund goes back into local economies almost immediately. This means that every dollar we invest in the RI EITC has a multiplier effect in our economy.

Our convictions teach us that fighting poverty is always the morally *right* action. The efforts of our neighboring states, alongside research conducted nationally, show us that in the state EITC and the minimum wage, we have two effective, pragmatic and realistic strategies to do so. An increase to Rhode Island's EITC would bring us more closely into alignment with our neighboring states. Connecticut's fully-refundable state EITC is 27.5% and Massachusetts' is 23%.³ We hope you will take action to move these proposals forward.

Thank you for your time and for your public service.

² Sarah Halpern-Meekin, Kathryn Edin, Laura Tach and Jennifer Sykes, *It's Not Like I'm Poor: How Working Families Make Ends Meet In A Post-Welfare World*, Oakland, California: University of California Press, 2015, page 64.

³ Center on Budget and Policy Priorities, "States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy," February 8, 2017, <http://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a>