

March 14, 2012

Chairman Les Donovan  
Committee on Assessment and Taxation

Thank you, Chairman Donovan and Honorable Members of the Assessment and Taxation Committee, for the opportunity to present this testimony in opposition to SB 445, particularly its provisions to make the Earned Income Tax Credit (EITC) non-refundable. El Centro, Inc., as a vital part of our mission to create and sustain educational, social, and economic opportunities for families, has participated in the Volunteer Income Tax Assistance (VITA) program for several years. A key objective of the VITA program is to facilitate participation in the EITC for eligible household filers; given its power to augment the income of low-wage earners and improve the financial well-being of working poor families with children. Our years of experience in the field demonstrate that this combination of free tax preparation assistance, combined with the reward for work that is the EITC are an incredibly important strategy to encourage work and put families on a more secure economic footing.

In our assessment, SB 445 would weaken the Earned Income Tax Credit in ways that worry us; particularly in this economic context, as many households are getting back to work. First, the EITC's refundability is what makes it particularly effective in incentivizing work by supporting families with very low earnings, while encouraging them to move towards full-time work. Working poor families in Kansas have heard and responded to the messages about how important work is to long-term family self-sufficiency. They have taken these values to heart and are working to make a better life for their children. However, the cruel reality is, for many of these households, their jobs are not a step up on a ladder to prosperity but a trap—they earn just enough to make them ineligible for many means-tested benefits, but not enough to enjoy real economic security. The EITC attempts to fill this gap and make work really pay for these households. It is one of our most effective anti-poverty programs, and we cannot afford to abandon it.

But the EITC is far more than just a rhetorical tool for enforcing a pro-work message. Eliminating EITC refundability neutralizes almost all of the poverty-reduction effects of the state EITC because there's no boost to income. We work with tax filers who plan all year for how they will spend these essential dollars—paying off debt, saving for emergencies, making critical asset purchases—and these households would not see any gain from a non-refundable EITC.

The VITA volunteers who spend their Saturdays during tax season helping low-income households file their taxes tell us how rewarding it is to help people navigate the complexity of the tax code to find their year of hard work has paid off, and they will receive a tax refund that includes the state EITC. These tax filers are almost uniformly grateful and relieved, and, we believe, further encouraged to stick to their financial plan. The EITC makes getting ahead a little more within their grasp and it provides them a foundation for what the next year will bring. If Kansas is serious about charting a road map out of poverty to prosperity, we need our fully refundable EITC for the journey.

I respectfully request you oppose SB 445. Thank you.

Sincerely,

Mary Lou Jaramillo  
President/CEO  
El Centro, Inc.

Sn. Assmnt & Tax  
3-14-12

Attachment # 6