



SISTERS OF CHARITY OF LEAVENWORTH

SOCIAL JUSTICE NETWORK

Assessment and Taxation Committee
Elimination of Tax Credits for Families – SB 339
Sister Therese Bangert
Social Justice Coordinator, Sisters of Charity of Leavenworth
February 15, 2012

Chairman Donovan and Members of the Committee,

I think that I am a minority in this room having been in the Capitol halls in 1998 when the legislators passed a Kansas refundable earned income credit. One of the inspirations for this policy came from President Ronald Regan who called the Earned Income Credit (EIC) *“the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.”*

This policy was only one part of a much larger tax package – a package hailed as the largest tax reduction in state history. Governor Graves took pride in touting the bill’s inherent fairness. *“There’s a little bit in it for everyone,”* he said.

The \$252,454,000 bill was an across the board slashing of property, income, inheritance, low-income, sales and business tax. The refundable earned income credit was the tax relief package’s component for low-income working families. Some points about this policy that I would like to stress:

- The determination for this credit is made only on earned income as reported on an income tax statement.
- Evidence-based programs are something we often hear discussed. The EIC has been studied and studied showing positive outcomes for families.
- The last figures that I have for the total amount of the tax credit is from the February 2010 Post Audit report on Tax Credits. They listed this cost at \$62 million dollars for FY 2007. The Kansas report from the Administration for Children and Families of HHS shows that in FY2010 Kansas spent \$18,700,000 of the Federal TANF funds for the refundable EIC and \$25,600,000 for the EIC as part of our Maintenance of Effort (MOE) for a total of \$44 million.
- Our Secretary of Revenue was quoted in the news as saying in regard to discontinuing the refundable EIC, *“We’re going to provide more efficient, more accountable and more targeted benefits.”* I maintain that this is an efficient and targeted program – simply figure a percentage of one’s federal EIC credit.

- Through the years I have asked Head Start parents how they use the federal and state EIC. They told me they pay bills which include medical bills, buy new tires or do needed repairs on their car, improve their housing, increase their skills through education, buy their children shoes, one couple paid a couple months rent in advance. The majority of this money is spent in the local economy.
- The volunteer tax preparers at the Kansas City VITA site sponsored by Catholic Charities and El Centro have also taught me about this credit. These professional persons generously give their time and talent. Their reflections on their work include their amazement at how little income some people have, their gratitude for knowing they are really doing something significant to help families, their noting that some elderly persons may wait three to five hours to have their papers filled out for a \$70 Food Sales Tax rebate. Another comment the preparers made is the gratitude they receive from those they help.

I understand that legislators during this session, have a much more difficult job than legislators back in 1998 when the budget was balanced and they could cuss and discuss over the ways to return \$252 million dollars to taxpayers in Kansas. I think that it is only fair that during this 2012 session that all of the tax policy in the 1998 bill be put up for reconsideration – not just the refundable earned income credit.

In our Sister of Charity ministries in Kansas we serve through our hospitals and clinics many of the parents who receive this credit. Also, many of these parents work with us in our clinics and hospitals. Policies that protect and support them and their families are important to us.

In addition to the elimination of the Earned Income Credit, a number of other provisions in the governor's tax proposal would negatively impact children and families. These include the elimination of income tax credits for adoption; the child and dependent care credit; the child day care assistance credit. Other areas of particular concern are the elimination of the Food Sales Tax Rebate, and the elimination of itemized deductions like the 529 college savings plan deduction, the mortgage interest deduction and the charitable deduction.

I am not so naïve as to think that there is no fraud within the EIC credits. Fraud was a reason that opponents to this policy gave for not supporting it back in 1998. It seems to me that manipulating the tax system to receive the most personal gain is what many do at tax time. Personally I am offended that fraud seems to come up only around this part of our current tax code. Perhaps I miss the conversations when they happen around other parts of our tax policy.

As you ponder recommendations I hope that you will look to the “inherent fairness” that was part of the 1998 Kansas tax bill. The refundable EIC in Kansas is part of that inherent fairness in a world that is often not fair for many of our sisters and brothers.

Thank YOU for hearing me. Peace be with YOU!

Sister Therese Bangert
Social Justice Coordinator, Sisters of Charity of Leavenworth