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Kansas Action for Children
SB 445 Testimony
Senate Committee on Assessment and Taxation

March 14, 2012

Chairman Donovan and Members of the Committee:

Thank you for the opportunity to testify on SB 445 and the negative impact it would have on Kansas children and families.

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

The unfortunate reality in America today is that workers earning minimum wage barely make enough money to support themselves and quickly fall below the poverty line if they are supporting a family. For example, a single parent with two children making minimum wage at a full-time job can work all year without missing a day and still end up almost \$2,500 below the 2011 federal poverty guideline, which is \$18,530 for a family of three. The Earned Income Tax Credit is a refundable income tax credit designed specifically to help make work pay for low-wage workers and their families. There are additional benefits to the EITC as well. These include:

- **Strengthening state and local economies.** The majority of EITC recipients spend their refunds, thereby increasing economic activity at local merchants and service providers.
- **Improving academic achievement in schools.** A recent study of children in families receiving the EITC found that an increase in family income of \$1,000 results in a 6 percent increase in math and reading test scores.
- **Increasing work among single parents.** Studies show that the EITC has resulted in a significant shift of single parents from welfare to work and that there is a connection between the size of a family's EITC benefit and its likelihood of employment.

SB 445 would undermine the structure of the EITC by making it non-refundable. 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 toward full-time work. Eliminating EITC refundability neutralizes almost all of the poverty-reduction effects of the state EITC because there's no boost to income.

The EITC has much broader reach than the homestead credit, even when renters are included. Under current eligibility guidelines, the homestead credit reaches just about half (120,000) as many Kansans (owners AND renters) as the state's EITC (230,000). While it may make sense to boost the homestead credit, it makes little sense to take from kids and renters to give to seniors and homeowners.



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families with low earnings, and without the privilege of owning a home, spend a substantial share of their earnings on sales and excise taxes and property taxes passed on to renters. This plan leaves those families with less money to pay for basic necessities like food, utility bills, car repairs or gas so they can get to work.

Opposition to SB 445

We respectfully request your opposition to SB 445 to protect the interests of Kansas children and families and build a strong fiscal foundation for the health, education and economic security of future generations.