

April 5, 2017

Amanda Gress, Director of Government Relations
Kansas Action for Children
Opposition to Substitute for Senate Bill 192

Members of the Kansas Senate:

On behalf of the 270,000 Kansas children who stand to benefit from the Kansas Earned Income Tax Credit (EITC), we urge you to reject Substitute for Senate Bill 192. Kansas Action for Children's vision is to make Kansas the best state to raise a child, and promoting a state tax code that supports families' financial well-being is essential to our work. By abolishing the refundable component of the Kansas Earned Income Tax Credit, Substitute for Senate Bill 192 would do tremendous damage to working families with modest incomes.

The Earned Income Tax Credit matters for Kansas children and their families. A robust body of research proves that the EITC is an investment that pays off for Kansas children. Measurable benefits of the EITC include improved infant and maternal health, better school performance, increased college enrollment, and increased work and earnings when children grow up. Other studies show that the EITC is a strong encouragement for employment, further boosting a family's overall economic well-being. The Kansas state EITC is a commonsense provision of our tax code that helps working families make ends meet, prepare their children for success, and get ahead in the long run.

A refundable Earned Income Tax Credit is particularly important to ensure the credit reaches the Kansas taxpayers who need it most. The Kansas state EITC builds on the federal EITC, increasing its purchasing power and maximizing its impact for children and their families. The state EITC is calculated by taking a percentage – 17% in Kansas – of a taxpayer's federal credit. **Only earned income counts toward a taxpayer's EITC calculation, meaning that EITC directly targets working families.** Since the Kansas EITC is a refundable tax credit, workers get the full credit they've earned even if they earn too little to owe much income tax. This feature allows the credits to offset the substantial sales and other taxes and fees Kansas' working families pay, and helps them use their tax refund to pay off bills or make investments in their children.

The harm inflicted by Substitute for Senate Bill 192 would greatly outweigh minimal savings to the state. This is because Kansas currently counts the refundable Earned Income Tax Credit toward its required maintenance of effort for federal Temporary Assistance for Needy Families funding. Should the Legislature abolish the refundable portion of the state Earned Income Tax Credit, the state would need to spend an additional \$45.6 million in qualifying State General Fund expenditures to maintain federal funding. To date, these hypothetical new expenditures have *not* been identified. Why would Kansas eliminate \$53.6 million dollars that are currently going directly to working Kansas families in exchange for a paltry \$8.0 million in net SGF savings? At the

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very least, abolishing the refundable Earned Income Tax Credit before a plan for these new appropriations has been drafted or vetted is premature.

We are disappointed that the Senate Assessment and Taxation Committee chose to introduce and pass out this proposal today, without a fiscal note, bill text, or opportunity for all stakeholders to provide feedback. **However, we remain hopeful that the full Senate will reject any proposal to weaken the state Earned Income Tax Credit for working Kansas families.** Please do not hesitate to contact Kansas Action for Children by emailing me (amanda@kac.org) if we can be helpful in your efforts to defend the EITC.