

March 26, 2026

Esteemed Chairs Fonfara and Horn,
Members of the Finance, Revenue and Bonding Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Senate Bill No. 1, *An Act Concerning Affordability*, which seeks to improve the progressivity of the tax system with respect to income. WestCOG suggests that your Committee also consider opportunities to advance this goal by increasing the utilization of existing federal tax benefits that are currently underclaimed. Unlike state tax exemptions, expanded utilization of federal tax benefits does not require the state to forgo revenue to deliver relief. In effect, it reduces the financial net outflow from Connecticut to the federal government while increasing disposable income within the state economy. Two such opportunities are readily available and could deliver meaningful benefits to Connecticut households at no material cost to the state.

I. EARNED INCOME TAX CREDIT (EITC) PARTICIPATION

The federal Earned Income Tax Credit is one of the most effective and well-established tools available to support low-income working households. It is specifically designed to reduce the tax burden on earned income and to supplement wages, particularly for households with children.

However, participation remains incomplete. According to the Internal Revenue Service, approximately one in five eligible households in Connecticut do not claim the credit. In Connecticut, this likely represents a loss of federal resources exceeding \$100 million annually—funds that could otherwise flow directly to working households across the state. The average EITC benefit is on the order of \$2,500 per household, meaning that many eligible families are missing out on a substantial source of income support.

Increasing EITC participation in Connecticut would:

- Deliver highly targeted, progressive income support to households most affected by cost pressures;
- Improve financial stability and workforce attachment among low-income workers;
- Generate immediate economic activity, as EITC benefits are typically spent in local economies; and
- Strengthen the effectiveness of Connecticut's own state-level EITC, which is tied to the federal credit.

Importantly, these benefits can be realized without any reduction in state revenues or changes to the state tax base. The primary barrier is not policy design, but participation. To address this gap, the state may wish to consider:

- Targeted outreach to likely-eligible households;

- Expanded access to free tax preparation services, such as Volunteer Income Tax Assistance (VITA) programs;
- Partnerships with municipalities, employers, and community organizations; and
- Exploration of simplified or pre-populated filing mechanisms for wage-based households.

Bringing even a portion of these unclaimed benefits into the state would return tens of millions of dollars annually to Connecticut households.

II. **COMMUTER BENEFITS UNDER FEDERAL TAX LAW**

The federal tax code also provides a ready-made mechanism to improve affordability through Internal Revenue Code §132(f), which allows employees to pay for transit and vanpool expenses with pre-tax income through employer payroll systems. This reduces federal tax liability, decreasing the effective cost of transportation and increasing take-home pay. However, participation remains limited, particularly among small and mid-sized employers, due to administrative barriers. As WestCOG has noted in testimony to the Transportation Committee, alignment between state policy and this federal framework could significantly increase uptake of this tax benefit.

Expanding access to payroll-based commuter benefits—potentially through integration with existing statewide payroll systems—would:

- Increase disposable income for participating households;
- Reduce commuting costs;
- Reduce net outflows to the federal government; and
- Support transportation demand management objectives;

all without reducing state revenue capacity.

III. **CONCLUSION**

As the General Assembly works to make life more affordable for Connecticut residents—particularly those with the greatest financial need—it is important not only to consider new programs or changes to the state tax system, but also to ensure that residents are fully accessing the federal programs already in place for this purpose.

Increasing participation in the Earned Income Tax Credit and expanding access to commuter tax benefits represent proven opportunities to deliver targeted relief. Because these programs are federally funded, they do not compete with other state priorities for limited resources. Instead, they bring additional funds into Connecticut households and into the state's economy. Put simply, Connecticut can improve affordability not only by adjusting its own policies, but by ensuring that its residents are fully benefiting from the federal resources already available to them.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Francis R. Pickering". The signature is written in a cursive style with a prominent horizontal line underlining the name.

Francis R. Pickering
Executive Director