

**Written Testimony as prepared for delivery in support of HB20-1203 to the House Finance Committee
by Sarah Barnes, Manager of Special Policy Initiatives at the Colorado Children's Campaign**

- Thank you, Madam Chair and members of the committee. My name is Sarah Barnes and I'm the Manager of Special Policy Initiatives at the Colorado Children's Campaign.
- We appreciate the opportunity to testify today in support of HB1203 and we are grateful to Representatives Sirota and Gray for their leadership on this policy.
- HB 1203 would eliminate a deduction in our state tax code that disproportionately benefits high-income business owners and would use the revenue generated to expand our state Earned Income Tax Credit, or EITC, and fund our state Child Tax Credit, or CTC.
- The EITC and the CTC are the most effective anti-poverty tools we have in the United States. Nationally, the EITC and CTC lifted 5.5 million children out of poverty in 2018 and reduced the severity of poverty for another 6.4 million children.ⁱ
- Our state EITC is currently equal to 10 percent of the federal EITC, and this bill would expand the state EITC to 20 percent of the federal credit, which would put more money back into the pockets of working families.
- Our state CTC has never been funded, and this bill would do just that, placing money back into the pockets of working families with children under the age of five in Colorado.
- The age at which children are most likely to live in poverty is under the age of six, and many children are experiencing their early years in families who live paycheck to paycheck.ⁱⁱ For young children, experiencing poverty can inhibit early brain development and negatively impact children's ability to succeed in school and develop social-emotional skills.
- On the other hand, additional income coming into a family when children are young has long-lasting positive impacts on child outcomes. A \$3,000 difference in annual income in the first 5 years of a child's life is associated with: the equivalent of 20 points on the SAT, a 17 percent increase in the child's future earnings, and 135 additional work hours per year as adults.
- All Colorado families want to provide for the basic needs of their children. However, policies and practices have created and maintained inequitable opportunities for some families.
- Due to these structural barriers to opportunity, Black and Latino workers are far more likely than White workers to earn poverty-level wages, and the EITC boosts after-tax incomes of low-wage households struggling to make ends meet. The EITC may also play a particularly important role in helping children of color improve their math achievement, complete high school, and enroll in college.ⁱⁱⁱ And both the EITC and CTC are especially important for women of color, who, as a result of systemic barriers to opportunity, make up a disproportionately large share of the low-wage workforce.^{iv}

- We urge your support of HB1203, which would make our state tax code fairer and provide families with access to tax credits that help lift children and families out of poverty and put them on the path to self-sufficiency.

ⁱ Center on Budget and Policy Priorities. Policy Basics: The Child Tax Credit.

ⁱⁱ Center on Budget and Policy Priorities. A Top Priority to Address Poverty: Strengthening the Child Tax Credit for Very Poor Young Children.

ⁱⁱⁱ Center on Budget and Policy Priorities. (2018). Advancing Racial Equity with State Tax Policy.

^{iv} National Women's Law Center. (2017). The Earned Income Tax Credit and the Refundable Child Tax Credit are Critical to Women's Economic Security.