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Working poor seek tax credit from state

By Elizabeth Aguilera
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Carolyn Birch is rooming with a friend and does phone surveys at night to supplement her income as a caregiver to the elderly.

The \$1,400 she makes every month is still not enough to make ends meet. Birch, 54, could have used the \$80 she would have received if Colorado had joined 20 other states in giving a tax credit to the working poor.

For six years Colorado has not issued an earned income tax credit, or EITC, to those who meet the federal threshold for the credit.

The state ties its EITC to a TABOR revenue surplus, so when times are tough for the state, working families also feel the squeeze. Now that the Taxpayer's Bill of Rights is on hold and Referendum C is in play, tax credits are not being given because doing so would reduce the revenue base on which future budgets will be derived.

Last week any chance of Colorado catching up to other states was dashed when Rep. John Kefalas, a Fort Collins Democrat, was told to keep his proposal for a 5 percent tax rebate for the working poor at home.

"The issue of a state earned income tax credit is good public policy. Colorado needs to bring it back," Kefalas said. "We see growing income inequality, and this is one way of addressing that."

The states that do give an earned income tax credit offer from 4 percent to as high as 35 percent of the federal credit. In addition, three local governments, New York City, San Francisco and Montgomery County, Md., offer an EITC.

In Kansas, working poor receive a state credit of 15 percent of their federal EITC. Each year, \$420 million to \$450 million in federal earned income tax credits are distributed to Colorado's working poor. In Colorado, a family would be eligible to receive 10 percent of their federal EITC from the state. About 250,000 families are eligible to receive the credit, which would cost \$42 million to \$45 million annually. And Kefalas' proposal of 5 percent would be roughly half that figure.

"These are families living on the edge," Kefalas said. "This money could make the difference, fix the car, pay a utility bill."

The plan, Kefalas said, was to divert a small portion of money from the unemployment-insurance trust fund to the state EITC. The payments would not affect tax rates or reduce the revenue base. And a trigger mechanism was built in to stop payments if the fund went below a certain amount.

Don Mares, executive director of the Department of Labor and Employment, told Kefalas this was not the time for a rebate and said he would work with him during the next session.

"When - not if - Colorado's fiscal climate changes in the future, there must be enough money to pay those (unemployment) benefits," Mares told The Denver Post. "Although I share Rep. Kefalas' concern that we find effective ways to help Colorado's working-poor families, I must be extremely cautious with trust-fund dollars."

Advocates have unsuccessfully pushed for a state EITC since 2002 and say if a credit is not adopted by 2010, they will seek a permanent EITC not tied to surplus when TABOR is re-implemented.

"The federal credit is really very powerful, and it is one of the best anti-poverty measures, if not the best, that we've had that lifts people out of poverty," said Rich Jones, director of policy and research at the Bell Policy Center in Denver.

The state's tax credit is supposed to add to that, Jones said.

Instead, said Kathy White, project coordinator for the Colorado Fiscal Policy Institute, "the state wants to prop up the base as much as possible and doesn't want to do anything that reduces the revenue coming into the state over the five years."

"The EITC lifts more children out of poverty than any other program," she added. "And it encourages work - you can't get it if you don't work."

For Teresa Apantenco and her 14-year-old son, a little bit of extra money would bridge the gap from a one-bedroom apartment to a two-bedroom place, she said.

Apantenco, who is studying at Red Rocks Community College to be a nurse, works nights as a caregiver in a nursing home for about \$1,000 a month.

She applied her federal credit of \$3,000 toward her car note and car insurance. A state credit would help "with rent and would help get a bedroom for my son. Right now he sleeps in what was a very small laundry room," she said.

When the \$800 federal credit finds Birch, she plans to pay outstanding hospital and medical bills.

"State help would make a whole lot of difference," she said. "There are a lot of people like myself. ... We are trying to survive."

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