

Testimony in support of

Senate Bill 12

I am Marilyn Harp, Executive Director of Kansas Legal Services, a statewide program providing legal services to low and moderate income persons. Senate Bill 12 deserves your support.

In 2010, we provided advice and legal representation to over 20,000 low income Kansans. In that regard, we have contact daily with low income Kansans who qualify for and may receive Federal Earned Income Tax credits (EITC). This program was designed to replace the Federal support for low income families, which was delivered through direct monthly payments in the Aid to Families with Dependent Children (AFDC) program. Unlike the AFDC program, which was administered in Kansas by the Kansas Department of Social and Rehabilitation Services, the EITC program is administered through the Federal Income Tax program. Families file a federal income tax return. If they qualify for EITC, they receive a payment larger than the amount of their earnings withheld for Federal Income tax payments. Eligible families (parent and one minor child) have annual incomes of \$35,063. Those with the least amount of earnings would receive a credit of \$3,043. This is applied to taxes due from the worker and can be received as a "refund".

Since 1975, the Earned Income has become the largest income transfer from the Federal government to low income Americans. In 2007, 24 million Americans received \$48 billion through the EITC program. The state of Kansas provides a credit figured at 17% of the Federal EITC for Kansas low income workers.

One concern about the EITC program is that about 20% of the eligible participants do not file a Federal income tax return, and, therefore, don't qualify for the payment through this program. The requirement of paying a tax preparer to complete a return in order to participate has been an obstacle for low income workers. As one response to this, legal services programs nationwide have worked together to create and distribute a easy to use program designed to maximize the EITC benefit available. There is no charge for accessing this program, called I CAN e-file. A link to this program can be found on the Kansas Legal Services website, [www.kansaslegalservices.org](http://www.kansaslegalservices.org).

Kansas Legal Services advises and represents clients who are contemplating filing for bankruptcy.

Because of an unpaid debt, perhaps a child's hospital bill, they have been sued and their wages have been garnished. They are regularly losing 25% of their very limited income to garnishment. The only solution that will end the garnishment is filing for bankruptcy. However, under the law today, they face the loss of perhaps \$3,000 in a EITC enhanced income tax return.

The purpose of the EITC is not to transfer Federal income support to the creditors of low income persons. Yet, without the law change, this is exactly what happens. Federal income support directed toward low income persons goes to their creditors. When a low income person files for bankruptcy, the income tax return due them at that point (or a pro rata portion of their annual return, based on when they file) becomes the property of the bankruptcy trustee. This money is distributed to the creditors by the trustee, in partial payment of the creditor's debts.

Marilyn Harp, Executive Director  
Kansas Legal Services, Inc.  
712 S. Kansas Avenue, Suite 200  
Topeka, KS 66603  
785-233-2068  
harpm@klsinc.org