

- 2) No additional administrative costs to FTB to implement the Program, as FTB already administers such a grant program under an interagency agreement with CSD. However, FTB may incur additional costs if workload demands from the program increase with funding levels.

According to the Legislative Analyst's Office, the GF faces a structural deficit in the tens of billions of dollars over the next several FYs.

COMMENTS:

- 1) **Purpose.** According to the author, the CalEITC, YCTC, and FYTC are “recognized as one of California’s most effective programs for alleviating poverty” and that “the combination of these tax credits lifts over 142,000 individuals out of deep poverty.” The author intends this bill to codify the Program “so that eligible nonprofits can continue doing the work to reach vulnerable Californians so they are able to file their taxes for free and receive the tax credits they are entitled to.” This bill is co-sponsored by the CalEITC Coalition, Golden State Opportunity, GRACE – End Child Poverty California, and United Ways of California, and supported by numerous anti-poverty and social service organizations.
- 2) **Background.**

Significant CalEITC Expansion. In 2016, California began offering its own CalEITC program modeled after the federal EITC. The Budget Act of 2019 significantly expanded the CalEITC and also enacted the YCTC, an additional \$1,000 credit for every family who qualifies for the CalEITC and has at least one child age five or under. The Budget Act of 2020 subsequently extended the CalEITC to undocumented taxpayers who file using an ITIN. Most recently, the Budget Act of 2022 created the FYTC, an additional \$1,000 credit for current and former foster youth ages 18 to 25 who qualify for the CalEITC and were in California foster care at age 13 or older.

Barriers to Claiming Anti-poverty Tax Credits. In order to claim the CalEITC, YCTC, or FYTC, a taxpayer must file an income tax return. Existing law, however, establishes a minimum income threshold before an individual must file a return, meaning most families eligible for the CalEITC are not required to file a return and are not aware they could get a tax refund if they filed a return claiming these credits. Since the enactment of the CalEITC, the state budget has allocated between \$2 million and \$20 million each year to maximize awareness of this benefit amongst eligible hard-to-reach taxpayers. The Budget Act of 2022 included \$10 million ongoing to FTB to provide tax credit outreach grants. This bill codifies and prescribes funding priorities for the FTB program allocating such grants.

- 3) **Prior Legislation.** AB 1515 (Santiago), of the 2021-22 Legislative Session, was substantially similar to this bill. AB 1515 was ordered to the Senate Inactive File.

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