



STATE OF CALIFORNIA
Franchise Tax Board

CalFile Online Tax Filing Report

Economic and Statistical Research Bureau

Purpose

This report is intended to fulfill the Franchise Tax Board's (FTB) obligation under Assembly Bill 1863 (Chapter 953, Statutes of 2022), which enacted Revenue & Taxation Code (RTC) section 19586, and included language that the FTB shall report to the Legislature by January 1, 2026, specified information regarding notifications of available paperless filing options.

As specified by statute, this report includes: 1) the cost to administer and implement the notification requirement; 2) the total number of tax returns filed using paperless filing options offered through the FTB, including CalFile; 3) an analysis of the discernible efficacy and impact of the notification; 4) the number of tax returns filed using paperless filing options offered through the FTB that claimed CalEITC; 5) the estimated cost savings potential eligible individuals realized by using paperless filing options offered through the FTB.

Prepared by the Staff of the
Franchise Tax Board
STATE OF CALIFORNIA

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Background

Chapter 953 of the Statutes of 2022 (Assembly Bill 1863) required the FTB beginning January 1, 2023, to notify potential eligible individuals of available paperless (electronic) filing options offered through FTB, including CalFile, and free tax preparation services, including the Volunteer Income Tax Assistance (VITA) program. The notification would include information about available paperless filing options and CalEITC. The notification would be in a form and manner FTB determines would incentivize potential eligible individuals to timely file their federal and state tax returns. To improve the effectiveness of the notices, the bill allowed the FTB to coordinate with other government agencies and nonprofit organizations.

A "potential eligible individual" is defined as an individual eligible for the CalEITC in any of the three previous taxable years based upon information available to FTB.

Taxpayers living in California can get [free tax help](#) through VITA¹ to file their federal and California personal income tax returns. VITA is available to taxpayers who fit one of the categories below:

- Individuals who generally make \$67,000 or less
- Individuals with disabilities
- Individuals who speak limited English
- Active duty or retired military personnel, or their dependents.

Additionally, [CalFile](#) is a free, online program that allows eligible taxpayers to eFile their personal income tax returns directly with FTB. A MyFTB account provides individuals with online access to tax account information and online services. The CalFile program greatly expanded the number of taxpayers eligible for this service and allowed taxpayers to file prior year returns. FTB began utilizing CalFile exclusively as a simplified filing portal for the California return in 2015. This portal also allowed for pre-population of data if taxpayers registered and obtained a MyFTB account.

Historical Federal EITC and CalEITC Notification Requirements

Prior to Assembly Bill 1863, FTB already had notification requirements in place through the EITC Information Act, pursuant to RTC Sections 19851 through 19854. This section provides an overview of the historical legislation that shaped FTB's

¹ Tax Counseling for the Elderly (TCE) is another free filing option available for adults aged 60 and above; however, this report focuses on the VITA free filing program.

current CalEITC and federal EITC notification strategies to add context to the Assembly Bill 1863 reporting requirements.

- Chapter 606 of the Statutes of 2007 (Assembly Bill 650) created the Earned Income Tax Credit Information Act, which originally only applied to the federal EITC. The Act required California employers to notify all potentially eligible employees of the availability of the EITC.
- Chapter 452 of the Statutes of 2011 (Assembly Bill 509) added to the existing law by requiring specified state departments that serve those who may qualify for the EITC, to annually notify their program recipients that they may be eligible for the credit.
- Chapter 294 of the Statutes of 2016 (Assembly Bill 1847) added the newly enacted CalEITC to the existing federal EITC employer notification requirement.
- Chapter 737 of the Statutes of 2022 (Assembly Bill 158) repealed and replaced RTC section 19551.3, authorizing the FTB to exchange data with the California Department of Social Services (CDSS) for purposes of identifying taxpayers who may qualify for specified antipoverty credits, and inform them of free filing options available through VITA and CalFile. AB 158 also required the CDSS, beginning January 1 of each calendar year, to provide their outreach findings, as specified, to the FTB.
- Chapter 55 of the Statutes of 2023 (Senate Bill 131) added a requirement for employers to notify potential eligible employees that they may be eligible for VITA, to file a return for free online via FTB's CalFile program, or to receive state and federal antipoverty tax credits, including the federal EITC and state CalEITC. SB 131 required employers to send the notification to employees twice per year – once within a week of providing an annual wage summary and again in March of the same year.
- Chapter 277 of the Statutes of 2023 (Assembly Bill 1355) allows an employer to send the notices via email if the employee opts in to receiving the notification via email.

In addition to the above requirements pursuant to the EITC Information Act, Chapter 114 of the Statutes of 2020 (Senate Bill 1409) required the FTB to analyze and develop a plan to increase the number of CalEITC credits allowed pursuant to RTC Section 17052, and the federal EITC, including the use of alternative filing systems. During calendar year 2021, FTB collaborated with its external partners to complete an analysis and plan, which included marketing efforts to encourage paperless filing and direct outreach to potential eligible individuals.

Implementation of the plan began immediately with enhanced marketing of [paperless filing options on FTB's website](#), and a plan to commence direct annual outreach to potential CalEITC-eligible individuals via “nudge letters” in the summer of 2023. The letters were intended to inform and prompt potentially eligible taxpayers to take the necessary actions to claim CalEITC.

Franchise Tax Board Statutory Reporting Requirements

Under Chapter 953 of the Statutes of 2022 (Assembly Bill 1863), the FTB is required to provide a one-time report to the Legislature that contains the following information organized by taxable year for taxable years beginning on or after January 1, 2023, and before January 1, 2025²³:

- 1) The total number of tax returns filed using paperless filing options offered through the FTB, including the CalFile program;
- 2) The number of tax returns filed using paperless filing options offered through the FTB that claimed the CalEITC;
- 3) The estimated cost savings potential eligible individuals realized by using paperless filing options offered through the FTB;
- 4) The cost to administer and implement the notification requirement under RTC Section 19586; and
- 5) An analysis of the discernable efficacy and impact of the notification required under RTC Section 19586.

Data

1) The total number of tax returns filed using paperless filing options offered through the FTB, including the CalFile program

Table 1 shows the total number of California tax returns filed using paperless filing options in tax years 2022, 2023, and 2024. Since the tax year 2024 filing season is not yet complete, the data provided for both tax years only includes returns filed through October 8 of each processing year. This year-to-date comparison allows for a more accurate representation of the paperless filing trend. Based on this data, approximately 16.0 million paperless returns were filed in tax year 2022, 16.7 million in tax year 2023, and nearly 16.5 million in tax year 2024.

² Order of requirements modified for report flow.

³ The reporting requirement is only tax year 2023 and 2024 data, but this report includes tax year 2022 return counts to add context to CalFile trends.

Table 1: Total Tax Returns Filed Using Paperless Options*

Tax Return Type	Tax Year 2022	Tax Year 2023	Tax Year 2024
CalFile Count	75,576	88,596	89,188
eFile Count	15,969,615	16,614,858	16,382,101
Total Paperless Returns**	16,045,191	16,703,454	16,471,289

* Tax Year data only includes returns filed through October 8 of each processing year for better comparison purposes. Due to disaster extensions over the past few years, year over year data may not be fully comparable. Not all timely 2024 tax year returns have been processed as of this writing.

**Total paperless returns filed in tax years 2022 and 2023 represent about 95% of returns filed during the complete processing year.

For additional context, Table 2 shows the breakout of total paperless returns compared to total paper returns during the same timeframe. In tax year 2024, the percentage of paperless returns increased by about 0.5%, showing a slight uptick in electronic return filing compared to the previous tax years. It is important to note that the growth in paperless returns appears small because the volume of eFile returns already represents around 95 percent of total returns filed each year. More significant is the increased use of the CalFile program from 0.45% of total returns (76,000) in tax year 2022 to 0.52% of total returns (89,000) in tax year 2024.

Table 2: Total Tax Returns Filed - Paperless, Paper, and CalFile*

Tax Return Type	Tax Year 2022	Tax Year 2023	Tax Year 2024
Total Returns	16,926,097	17,625,628	17,299,156
<i>Paperless % of Total Returns</i>	94.8%	94.8%	95.2%
<i>Paper % of Total Returns</i>	5.2%	5.2%	4.8%
<i>CalFile % of Total Returns</i>	0.45%	0.50%	0.52%

* Tax Year data only includes returns filed through October 8 of each processing year for better comparison. Due to disaster extensions over the past few years, year over year data may not be fully comparable. Not all timely 2024 tax year returns have been processed as of this writing.

2) The number of tax returns filed using paperless filing options offered through the FTB that claimed the CalEITC

Potential eligible individuals received a notification from the FTB and CDSS of free filing options available, including VITA and FTB's online CalFile program. Table 3 shows the total number of California tax returns filed claiming CalEITC and using paperless filing options in tax years 2023 and 2024. Approximately 3.2 million paperless CalEITC returns were filed in tax year 2023 and approximately 3.0 million paperless CalEITC returns were filed in tax year 2024.

Table 3: Total CalEITC Returns Filed Using Paperless Options*

	Tax Year 2022	Tax Year 2023	Tax Year 2024
CalEITC CalFile Count	7,324	7,966	8,106
CalEITC eFile Count	3,096,558	3,171,593	3,005,353
Total CalEITC Paperless Returns**	3,103,882	3,179,559	3,013,459

* Tax Year data only includes returns filed through October 8 of each processing year for better comparison. Due to disaster extensions over the past few years, year over year data may not be fully comparable. Not all timely 2024 tax year returns have been processed as of this writing.

**Total paperless CalEITC returns filed in tax years 2022 and 2023 represent about 96% of total CalEITC returns filed during the complete processing year.

In tax year 2024, the percentage of paperless returns increased by about 2 percent (94.4 to 96.8), while the percentage of paper returns decreased by nearly 1 percent (4.7 to 3.9), which indicates a slightly higher increase in CalEITC electronic return filing compared to all electronic return filings.

For additional context, Table 4 shows the breakout of total CalEITC paperless returns compared to total CalEITC paper returns during the same timeframe. The percentage of paperless returns remains relatively constant across tax years. Taxpayer use of the CalFile program slightly increases from 0.23% of total CalEITC returns (7,300) in tax year 2022 to 0.26% of total returns (8,100) in tax year 2024.

Table 4: Total CalEITC Returns Filed - Paperless, Paper, and CalFile*

Tax Return Type	Tax Year 2022	Tax Year 2023	Tax Year 2024*
Total CalEITC Returns	3,232,390	3,313,921	3,133,394
<i>Paperless % of Total Returns</i>	96.0%	95.9%	96.2%
<i>Paper % of Total Returns</i>	4.0%	4.1%	3.8%
<i>CalFile % of Total Returns</i>	0.23%	0.24%	0.26%

* Tax Year data only includes returns filed through October 8 of each processing year for better comparison. Due to disaster extensions over the past few years, year over year data may not be fully comparable. Not all timely 2024 tax year returns have been processed as of this writing.

3) The estimated cost savings potential eligible individuals realized by using paperless filing options offered through the FTB

The cost savings estimate is based on the number of individuals who electronically filed a California income tax return using CalFile or VITA and claimed CalEITC, as those are the free paperless filing options offered through the FTB. This estimate does not include the cost to file a federal tax return.

In tax year 2023, individuals electronically filed approximately 9,000 total CalFile returns and 82,000 VITA returns claiming CalEITC. Tax year 2024 is not yet complete, but as of October 8, 2025, individuals electronically filed approximately 8,000 CalFile returns and 81,000 VITA returns claiming CalEITC. Based on FTB data, approximately 40 percent of CalEITC returns processed during 2025 were self-prepared and 60 percent were filed using a paid preparer. In addition, approximately 30 percent of CalEITC returns reported self-employment income, which indicates a more complex return.

Based on tax filing research, it is estimated that the cost for a potential eligible individual to file a self-prepared state return using tax preparation software can range from \$25 to \$75, while the cost to pay a professional tax preparer can cost anywhere from \$100 for a simple return to up to \$450 or more for a complex return. Based on this information, in combination with FTB data, it is estimated that approximately 30 percent of CalEITC returns would be considered complex (highest cost), 50 percent would be considered simple (lowest cost), and the remaining 20 percent would be considered moderate. Applying the estimated costs and complexity distribution to the return counts results in an estimated cost savings of approximately \$16.2 million in tax year 2023 and \$15.7 million in tax year 2024, or an average cost of nearly \$180 per return per tax year.

Table 5: Estimated Cost Savings Potential Eligible Individuals Realized by Free Filing CalEITC Returns

Return Type	Tax Year 2023		Tax Year 2024	
	Return Count	Cost Savings (\$ in millions)	Return Count	Cost Savings (\$ in millions)
CalEITC CalFile	9,000	\$1.6	8,000	\$1.4
CalEITC VITA	82,000	\$14.6	81,000	\$14.3
Total CalEITC Free File Returns	91,000	\$16.2	89,000	\$15.7

4) An analysis of the discernable efficacy and impact of the notification requirement

The efficacy and impact of the notification requirement depend on whether the notification broadens the use of FTB's free electronic filing programs and increases outreach for CalEITC. According to RTC Section 19586 (a)(2), "notifications shall be in any form and manner, including electronic communication, determined by the FTB to incentivize potential eligible individuals to timely file federal and state tax returns." Based on this definition, notifications included FTB's planned outreach to potential eligible individuals via letter, in addition to ongoing and frequently updated education and outreach

materials that are made publicly available on FTB's website, social media pages, and distributed to media and relevant advocacy groups.

Determining effectiveness and impact requires being able to measure whether adding the notification caused an increase in the use of FTB's free filing programs and an increase in CalEITC outreach efforts. Since FTB already had ongoing programs in place to promote free filing and to encourage potential eligible individuals to claim CalEITC, to satisfy the intent of this bill, the FTB focused on sending new notifications to individuals who had not filed a current year tax return (Non-Filers), but appeared eligible based on state employment records and one or more state tax returns they filed in the previous three tax years. Each letter included information on the maximum amount of credit available by family size and shared information on free filing assistance available through VITA programs and the FTB's online CalFile program.

FTB's ongoing CalEITC outreach efforts include a partnership with the CDSS to increase awareness of the credit and the number of filers claiming the credit; therefore, the subsections below include non-filer outreach information from both agencies.

FTB Non-Filer Outreach

2023 FTB Outreach Letter Campaign

In May of 2023, the FTB sent about 198,000 letters to potentially eligible individuals who did not file a California state income tax return for tax years 2021 or 2022. The letters explained how to claim the credit and provided related resources, such as links to FTB's free CalFile program, EITC calculator, and VITA program.

Approximately 9,900 taxpayers responded (5.0%) by filing a tax year 2022 return, receiving \$1.6 million in CalEITC refunds.

2024 FTB Outreach Letter Campaign

Between mid-July and early August of 2024, the FTB sent about 188,000 letters to potentially eligible individuals who did not file a California state income tax return for tax years 2022 or 2023. The letters provided the same notification information as the letters mailed in the previous year.

Approximately 5,400 taxpayers responded (2.9%) by filing a tax return, receiving \$750,000 in CalEITC refunds.

2025 FTB Outreach Letter Campaign

Between mid-July and mid-August of 2025, the FTB sent about 114,000 letters to potentially eligible individuals who did not file a California state income tax return for tax years 2023 or 2024. The letters provided the same notification information as the letters mailed in the previous year.

The FTB will not have complete response rate information for this year's letter campaign until Spring of 2026.

Effectiveness of FTB Outreach

Table 5 shows the results of FTB's 2023 and 2024 outreach campaigns in terms of returns filed for tax years 2022 and 2023. In tax year 2022, of the 9,900 returns filed, nearly one percent filed a CalFile return and approximately three percent utilized VITA⁴ services. The remaining returns include paper and eFiled returns that were not filed via CalFile or VITA.

Table 6: FTB Non-Filer Outreach Results by Tax Year

Return Type	Tax Year 2022 Counts	Tax Year 2022 Percent of Total	Tax Year 2023 Counts	Tax Year 2023 Percent of Total
CalFile	71	0.7%	41	0.7%
VITA*	305	3.1%	14	0.2%
Total Returns	9,900		5,900	

*Approximately 98% of VITA returns were filed electronically.

The total number of returns filed by potentially eligible individuals who received an FTB notification letter dropped by about 4,000 in tax year 2023. The decline in responses to non-filer outreach is primarily due to the timing of notification sent to potentially eligible individuals, in addition to fewer notifications mailed.

The timing of notifications depends on FTB's ability to balance staff workload capacity around the annual filing season. The first outreach campaign in 2023 yielded a higher volume of CalFile and VITA return filings compared to the second outreach campaign because of the extended tax filing deadline to provide disaster relief for individuals impacted by the 2022-23 California severe winter storms.⁵ During the extended filing season, more VITA sites were also open to provide free filing services. The FTB recently discovered that many VITA sites are closed by the time summer outreach letters reach potentially eligible

⁴ VITA returns may be filed electronically or via paper.

⁵ FTB (2025). [California severe winter storms, 2022 taxable year disasters](#).

individuals. As a result of this discovery, the FTB took immediate action to adjust the notification mailing date to January beginning in 2026. The FTB anticipates this change will improve free VITA filing and the overall customer experience.

The number of notifications mailed depends on the number of potentially eligible individuals with income below the maximum CalEITC income threshold, and the number of such individuals who did not file a tax return in the previous two tax years. The reasons for the decrease in the number of notification letters sent are difficult to verify but could be attributed to more individuals learning about the credit and filing tax returns, or other factors that reduce eligibility, such as wage increases that push individuals above the income threshold.

Despite the decline, between the first two outreach years, the FTB was still able to identify close to 16,000 potential eligible individuals who would not have otherwise filed a CalEITC return. In general, it is difficult to identify non-filers, as FTB's systems do not include their data. In the third outreach year (2025), the FTB started capturing new data on returned mail to better understand if the letters were reaching the intended recipients. As of August 2025, approximately 6,000 of the 114,000 letters mailed to non-filers (over 5%) were returned for various reasons. This return rate is in line with FTB's other returned mail percentages. Over 80 percent of the non-filer returned letters were due to incorrect or insufficient address information.

CDSS Outreach

2023 CDSS Outreach Campaign

In spring 2023, CDSS initiated a minimal touch campaign that included an initial text message and a reminder text message on the benefit of filing a return, where to file, and information on free tax preparation services. Approximately 157,000 individuals receiving CalWORKs and/or CalFresh benefits received an initial text message on March 27, 2023, and a reminder text message on April 10, 2023.

In fall 2023, the CDSS identified and contacted 1.3 million non-filers who received CalWORKs and/or CalFresh benefits. Messages were sent via email and voice recording, with information on available tax credits, such as the federal EITC, federal Child Tax Credit, the YCTC, and the CalEITC. These messages included information on how to file and direction on available tax filing supports. Additionally, the CDSS provided high touch support via a helpline. This high-touch solution helped individuals and families understand their eligibility for tax credits, options for filing, and connected them to available resources. The tax outreach campaign ran for eight weeks, from the week of September 22, 2023, to the week of November 9, 2023.

2024 CDSS Outreach Campaign

In spring 2024, CDSS delivered text and email messages to nearly 3.1 million heads of households receiving CalFresh and CalWORKS benefits in all counties, to ensure that recipients were informed of the tax filing resources and tax credits available to them. In addition, CDSS' Outreach Helpline provided high-touch telephonic assistance to 70,000 individuals with the most to gain from filing to provide additional tax filing assistance. These outreach efforts occurred between February 22, 2024 and April 8, 2024.

In Fall 2024, the CDSS identified and contacted over 75,000 Non-Filers who received CalWORKS benefits. Messages were sent via text and email, with targeted information on available tax credits, such as the federal EITC, the YCTC, and the CalEITC. The helpline continued to play a central role, offering support to help individuals navigate tax filing questions and utilize the available resources and free filing options. This tax outreach campaign began September 23, 2024 and concluded September 27, 2024.

Effectiveness of CDSS Outreach

Tables 7 and 8 summarize the results of CDSS's 2023 and 2024 CalEITC outreach campaigns as described in the sections above. The outreach campaigns are effective in spreading the word about the CalEITC and free filing options; however, due to data sharing delays, it is not possible to identify the number of individuals who filed a tax return and claimed CalEITC as a direct result of the outreach.

Table 7: CDSS 2023 Number of Recipients Contacted and Response Rate

Timing	Number Contacted	Response*
Spring 2023	157,000	9,133
Fall 2023	1,260,000	32,062

*Response data taken from inbound call report from Outreach Helpline and email responses taken from the outreach email inbox. The CDSS tax outreach program did not include capacity to receive responses by text.

Table 8: CDSS 2024 Number of Recipients Contacted and Response Rate

Timing	Number Contacted	Response*
Spring 2024	3,091,771	8,804
Fall 2024	75,092	233

*Response data taken from inbound call report from Outreach Helpline and email responses taken from the outreach email inbox. The CDSS tax outreach program did not include capacity to receive responses by text.

5) The cost to administer and implement the notification requirement

Cost information is based on FTB's implementation of the notification requirement in addition to that of FTB's state agency partner, CDSS. The goal of the partnership with CDSS is to identify additional potential eligible individuals who receive CalWORKS or CalFresh benefits but have not filed a tax return to claim the CalEITC.

Since the FTB had already recently developed an education and outreach plan to increase the uptake of CalEITC through noticing, there was minimal additional cost to administer and implement the notification requirement in this bill. As a result, Table 9 reflects the approximate cost of the actual notification methods used by FTB and CDSS. For example, FTB mailed paper letters, so its cost includes necessary materials, such as paper, envelopes, and postage. CDSS sent electronic messages, so its cost is attributed to text, email, and telephonic voice notifications. The amounts do not include the cost of state staff time to plan, conduct, and analyze the outcome of outreach efforts.

Table 7: FTB and CDSS Cost to Implement Notification Requirement

Agency	2023 Outreach Cost	2024 Outreach Cost	2025 Outreach Cost
FTB	\$116,000	\$127,000	\$83,000
CDSS	\$2,200	\$2,200	\$2,200