



STATE OF CALIFORNIA
Franchise Tax Board

California Earned Income Tax Credit, Young Child Tax Credit, and Foster Youth Tax Credit Report

Economic and Statistical Research Bureau

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Purpose

This report is intended to fulfill the Franchise Tax Board's (FTB's) obligation under Revenue & Taxation Code (RTC) sections [17052\(j\)](#), [17052.1\(g\)](#), and [17052.2\(j\)](#) to annually provide a written report on the California Earned Income Tax Credit (CalEITC), the Young Child Tax Credit (YCTC), and the Foster Youth Tax Credit (FYTC) to the specified legislative committees.

As required by statute, this report includes the number of tax returns claiming the CalEITC, YCTC, and FYTC, the number of individuals represented on tax returns claiming the CalEITC, the number of qualifying children represented on tax returns claiming the YCTC, the average CalEITC, YCTC, and FYTC amounts, the distribution of CalEITC by dependents and income ranges, an estimate of the number of families who are lifted out of deep poverty by the CalEITC, and the number of families who are lifted out of deep poverty by the combination of the CalEITC and the federal Earned Income Tax Credit (EITC).

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

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Background

- Chapter 21 of the Statutes of 2015 (Senate Bill - SB 80) created the CalEITC, which allows a refundable credit for qualified taxpayers. This credit became operative for taxable years beginning on or after January 1, 2015.
- Chapter 96 of the Statutes of 2017 (SB 106) modified the CalEITC by extending the income limits and expanding the program to taxpayers with self-employment income. These changes became operative for taxable years beginning on or after January 1, 2017.
- Chapter 52 of the Statutes of 2018 (SB 855) modified the CalEITC by further extending the income limit and expanding the program to include childless income taxpayers under 25 and over 65. These changes became operative for taxable years beginning on or after January 1, 2018.
- Chapter 39 of the Statutes of 2019 (AB 91) modified the CalEITC by extending the income limit to \$30,000 for all taxpayers and indexing the limit with CPI beginning after the taxable year in which the minimum wage was set at \$15 per hour. AB 91 also created the Young Child Tax Credit. The YCTC allows an additional \$1,000 credit for taxpayers who qualify for CalEITC and have a child age 5 or younger. These changes became operative for taxable years beginning on or after January 1, 2019.
- Chapters 19 and 87 of the Statutes of 2020 (AB93 and AB1876) expanded both the CalEITC and the YCTC to taxpayers with Individual Taxpayer Identification Numbers (ITINs). These changes became operative for taxable years beginning on or after January 1, 2020.
- Chapter 8 of the Statutes of 2021 (SB 88) expanded both the CalEITC and the YCTC to allow otherwise qualified undocumented persons to claim these credits.
- Chapter 72 of the Statutes of 2022 (SB 201) created the Foster Youth Tax Credit. The FYTC allows an additional \$1,083 credit, indexed annually beginning in 2023, for foster youth receiving CalEITC and who meet additional requirements. It also added an annual inflation indexing requirement for YCTC and allowed the qualified taxpayer to have earned income of zero dollars or less. These changes became operative for taxable years beginning on or after January 1, 2022.
- Chapter 55 of the Statutes of 2022 (AB 194) under Government Code (GOV) section 12419.3.3 directed the Controller to not offset delinquent accounts against the personal income tax refunds of individuals who receive the CalEITC or the YCTC, for taxable years beginning on or after January 1, 2024.
- Chapter 34 of the Statutes of 2024 (SB 167) aligned the maximum qualified earned income thresholds of the YCTC and FYTC with the CalEITC for taxable years beginning on or after January 1, 2024.

The CalEITC credit amount is determined by the number of qualified children and the amount of qualified earned income and is structured with credit phase-in and phase-out income ranges. The CalEITC is only operative for taxable years in which resources are authorized in the annual Budget Act for the FTB to oversee and audit returns associated with the credit.

Generally, a qualified CalEITC taxpayer/return:

- Has qualified earned income of \$1 up to \$31,950 and federal adjusted gross income of up to \$31,950,
- Has investment income, such as interest, dividends, royalties, and capital gains, that does not exceed the specified limit for the entire tax year,
- Has a valid social security number or ITIN for the individual, their spouse, and any qualifying child,
- Does not use the "married/RDP filing separately" filing status, unless they have a qualifying child live with them for more than half a year and have been legally separated, or have lived apart from their spouse for the last six months,
- Lives in California for more than half the tax year.

For the 2024 taxable year, the maximum CalEITC ranged from \$294, for an eligible individual without a qualifying child, to \$3,644, for an eligible individual with three qualifying children.

Generally, a qualified YCTC taxpayer/return:

- Also receives the CalEITC;
- Has at least one child age 5 or younger at the end of the tax year;
- Has earned income of \$31,950 or less. The credit is phased out as the taxpayer's earned income exceeds \$26,626;
- May have earned income of \$0 or less, with any net losses not to exceed \$34,602 in the taxable year, beginning on or after January 1, 2024.

For the 2024 taxable year, the maximum YCTC was \$1,154 for taxpayers with a qualifying child.

Generally, a qualified FYTC taxpayer/return:

- Also receives the CalEITC;
- Was between the ages of 18 to 25 at the end of the tax year;
- Was in foster care at age 13 or older and placed through the California foster care system;
- Has earned income of \$31,950 or less. The credit is phased out as the taxpayer's earned income exceeds \$26,626;
- Satisfies a foster care verification requirement.

For the 2024 taxable year, the maximum FYTC was \$1,154 for qualifying taxpayers.

Brief History of the EITC

The federal EITC program began in 1975 as an anti-poverty program for both adults and children in lower-income working families. The primary purposes of the program are to lift people out of poverty and to encourage labor market participation by providing additional benefits from employment. Federal EITC benefits for low-income families with children can make up a substantial portion of their total income.

For the 2024 taxable year, the federal EITC qualifying income maximums for those with three qualifying children were:

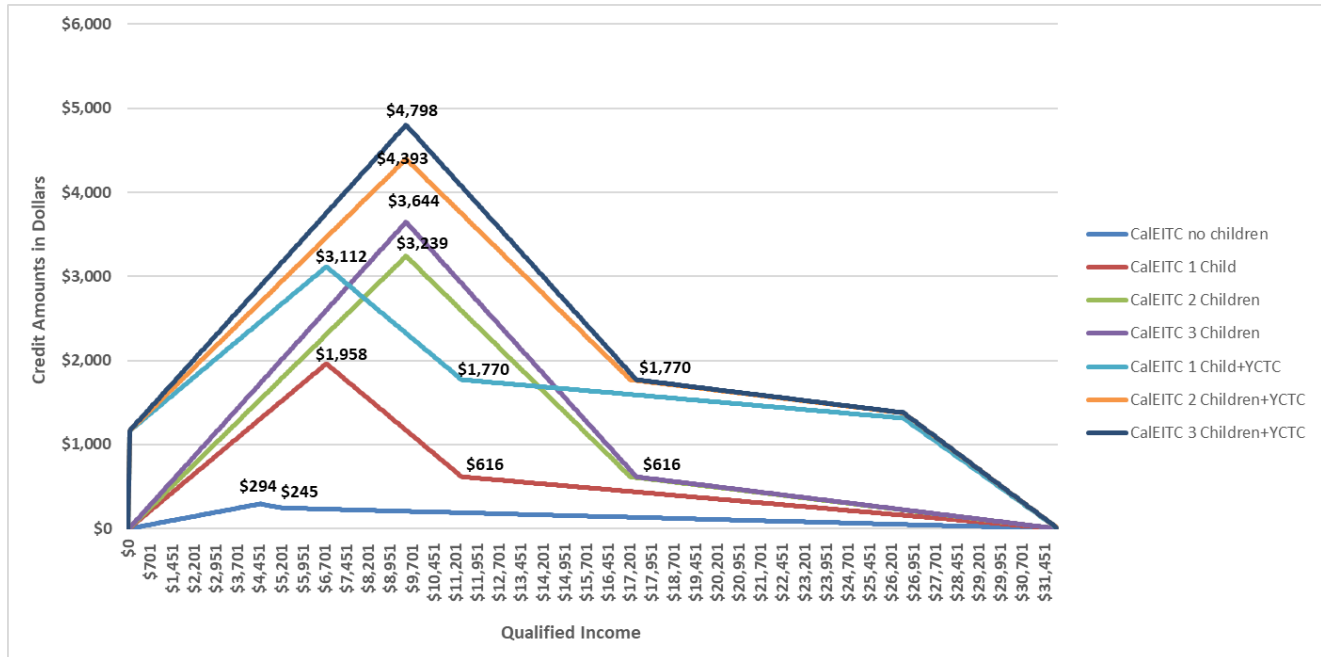
- Single, Head of Household, or Widowed \$59,899
- Married Filing Joint returns \$66,819

The maximum federal EITC amounts by number of qualifying children were:

No qualifying children	\$632
1 qualifying child	\$4,213
2 qualifying children	\$6,960
3 or more qualifying children	\$7,830

Since 1975, many states have supplemented the federal EITC program by adopting their own versions of the federal program. Beginning with the 2015 taxable year, California adopted its own earned income tax credit. The CalEITC differs from the federal program by imposing lower income limits and not including filing status as a determinant of the credit amount. In addition, beginning in taxable year 2020, the credit was expanded to taxpayers with ITINs. Figure 1 provides a representation of the CalEITC credit phase-in, credit maximum, and the credit phase-out for specified qualified income ranges and number of qualified children.

Figure 1: CalEITC Credits by Qualified Children and Income in Taxable Year 2024



The credit has three value ranges that vary by qualified income:

1. The phase-in range where the credit is equal to the credit phase-in rate multiplied by qualified income and the CalEITC adjustment factor;
2. The phase-out range where for each dollar of qualified income over the maximum, the credit is reduced by the phase-out rate until the credit reaches \$616 for taxpayers with qualifying children or \$245 for taxpayers without qualifying children; and
3. After the credit reaches \$616/\$245, an alternate phase-out range where the credit is phased out more slowly until the credit reaches zero.

For 2024, the CalEITC credits are phased-out completely at qualified income levels of \$31,951 for all taxpayers. Figure 1 also shows the credit structure of the combined CalEITC and YCTC.

FTB Statutory Reporting Requirements

The FTB is required to report annually on the CalEITC, YCTC, and FYTC to the specified legislative committees.

The CalEITC reporting requirements include the following:

1. The number of tax returns claiming the CalEITC.
2. The number of individuals represented on tax returns claiming the CalEITC.
3. The average CalEITC amount.

4. The distribution of CalEITC by dependents and income ranges with the income ranges encompassing the phase-in and phase-out ranges of the credit.
5. An estimate of the number of families who are lifted out of deep poverty by the CalEITC and the number of families who are lifted out of deep poverty by the combination of the CalEITC and federal EITC. For the purposes of this report, a family is considered in "deep poverty" if the income of the family is less than 50 percent of the federal poverty threshold.

The YCTC reporting requirements include the following:

1. The number of tax returns claiming the credit.
2. The number of qualifying children represented on tax returns claiming the credit.
3. The average credit amount on tax returns claiming the credit.

The FYTC reporting requirements include the following:

1. The number of tax returns claiming the credit.
2. The average credit amount on tax returns claiming the credit.

Data

CalEITC data is presented in the following five sections. Sections 1 and 2 include aggregated information on total credit claims. Sections 3 and 4 present data that include information about children/dependents and estimates on poverty alleviation provided by the credit. As a note, the following sections contain a mix of data reported on a tax year or process year basis, as specified in each table. Process year data includes original tax returns for the current tax year and late returns for previous tax years. The reason for using process year in Section 4 instead of tax year is to include everyone who received CalEITC benefits in 2024 as part of the poverty analysis. Additional CalEITC publications from the FTB generally present data on a process year basis, so totals in this report may not match.

For additional context, Section 5 presents a selection of CalEITC return filing trend data on new filers and filers who are no longer claiming the credit.

1) Aggregate Return information for CalEITC, YCTC and FYTC

Table 1: The Number and Amounts of Credits Allowed in Taxable Year 2024

Credit Type	Number of Returns	Credits Allowed (in millions)
CalEITC	3,202,365	\$933
YCTC	390,479	\$418
FYTC	5,406	\$6

Table 2: The Number and Amounts of Credits Allowed in Process Year 2025¹

Credit Type	Number of Returns	Credits Allowed (in millions)
CalEITC	3,383,436	\$981
YCTC	405,155	\$433
FYTC	5,612	\$6

Table 3: Average Credit Amounts Allowed in Taxable Years 2023 and 2024

Credit Type	2023	2024
CalEITC	\$282	\$291
YCTC	\$1,037	\$1,071
FYTC	\$1,039	\$1,071

2) Individuals Represented on Tax Returns Claiming the CalEITC and YCTC

To compute the number of individuals represented on tax returns claiming CalEITC, a filing status count ("1" for single, widow, married/RDP filing separately, or head of household or "2" for joint returns) is added to the number of exemption dependents claimed on the return (whether or not those dependents qualified for the CalEITC). The purpose of using the count of exemption dependents claimed rather than qualified CalEITC children is to get a more complete assessment of the total number of individuals in each household where the CalEITC relief was realized.

Table 4: CalEITC Number Returns Claiming the Credit and Number of Family Members Represented on Return by Type for Taxable Year 2024

CalEITC	Count
Number of Returns	3,202,365
Number of Family Members	5,376,250
Number of Dependents (Total)	1,769,938
Number of CalEITC Qualifying Children	1,547,044
Number of CalEITC Qualifying Children on YCTC returns	686,069
Number of YCTC Qualifying Children	473,945

¹ Process year 2025 includes tax year 2024 CalEITC, YCTC, and FYTC returns processed during 2025, as well as delayed prior year returns.

3) Distribution of CalEITC by Dependents and Income Ranges

The CalEITC income phase-in and phase-out ranges differ based on the number of qualified children included in the credit claim. Filing status has no bearing on the credit calculation. Only the first three CalEITC-qualified children affect the amount of credit that can be claimed.

Table 5 shows the distribution of allowed CalEITC returns and credits by qualified children. The number of returns claiming CalEITC decreases as the number of qualified children increases. The average credit is larger for taxpayers with more qualified children. This is expected since the amount of credit allowed at each income level is greater with more qualified children. Of the 2.2 million returns with no CalEITC qualified children, 85,000 claimed exemptions for dependents that did not qualify for CalEITC purposes.

Table 5: Distribution of CalEITC Credit Amounts by Qualified Child in Taxable Year 2024

CalEITC Qualified Children	Returns	Total Credits Allowed (in millions)	Average Credits Allowed
No Qualified Children	2,242,147	\$275	\$123
1 Qualified Child	521,108	\$263	\$504
2 Qualified Children	291,394	\$256	\$878
3+ Qualified Children	147,716	\$140	\$951
Total	3,202,365	\$933	\$291

Totals may not add due to rounding.

Tables 6-9 show the number of CalEITC returns by income range for each number of qualifying children.

Table 6: CalEITC Allowed by Phase-in/Phase-out Ranges with Zero Qualified Children in Taxable Year 2024

Qualified Income (credit table levels)	Returns	Total Credits Allowed (in millions)	Average Credits Allowed
Phase-In (up to \$4,525)	278,890	\$38	\$138
Phase-Out (up to \$31,950)	1,963,257	\$236	\$120
Total	2,242,147	\$275	\$123

Totals may not add due to rounding.

Table 7: CalEITC Allowed by Phase-in/Phase-out Ranges with One Qualified Child in Taxable Year 2024

Qualified Income (credit table levels)	Returns	Total Credits Allowed (in millions)	Average Credits Allowed
Phase-In (up to \$6,794)	55,545	\$56	\$1,016
Phase-Out (up to \$31,950)	465,563	\$206	\$443
Total	521,108	\$263	\$504

Totals may not add due to rounding.

Table 8: CalEITC Allowed by Phase-in/Phase-out Ranges with Two Qualified Children in Taxable Year 2024

Qualified Income (credit table levels)	Returns	Total Credits Allowed (in millions)	Average Credits Allowed
Phase-In (up to \$9,537)	40,362	\$72	\$1,778
Phase-Out (up to \$31,950)	251,032	\$184	\$733
Total	291,394	\$256	\$878

Totals may not add due to rounding.

Table 9: CalEITC Allowed by Phase-in/Phase-out Ranges with Three or More Qualified Child in Taxable Year 2024

Qualified Income (credit table levels)	Returns	Total Credits Allowed (in millions)	Average Credits Allowed
Phase-In (up to \$9,537)	20,020	\$40	\$1,994
Phase-Out (up to \$31,950)	127,696	\$101	\$787
Total	147,716	\$140	\$951

Totals may not add due to rounding.

4) Estimate of the Number of Families Lifted Out of Deep Poverty

Federal Poverty Threshold

Measuring a family's poverty level requires use of poverty income thresholds that vary by family size and composition. These poverty thresholds are then compared to family income data to determine specific poverty levels. A family is considered to be in poverty if its resources fall short of 100 percent of the poverty threshold. Deep poverty status is realized when family income is under half, or 50 percent, of the poverty threshold.

The official federal poverty measure is produced by the US Census Bureau (Census). It was developed in the early 1960s and measures a family's pre-tax cash resources relative to a threshold intended to reflect the minimum income required to meet basic needs. This income measure does not include capital gains or noncash benefits such as public housing, Medicaid, or food stamps; but does include public assistance payments. The official threshold is essentially the cost of a subsistence diet in the 1960s multiplied by three (because food constituted about a third of a family's budget at that time). The official measure of poverty assumes that all individuals in a household who are related by birth, marriage, or adoption share income. The thresholds do not vary geographically but are updated annually for inflation. You can access the federal poverty thresholds by family size and number of related children under 18 years of age via the [U.S. Census Bureau website link](#) provided.

Poverty Measure Methodology and Data Limitations

The process of estimating deep poverty utilizing available tax return data requires the following steps:

1. Redefining the return data into family units consistent with the federal poverty threshold table.
2. Calculating pre-tax family income as closely as possible to that specified by the federal poverty threshold guidelines.
3. Comparing family income within a family to the appropriate 2024 federal poverty threshold.

Families with income below 50 percent of the threshold are considered to be living in deep poverty. The below methodology is used to derive four income levels for comparison to the poverty level:

1. Income without any earned income tax credit benefits, or base income.
2. Income with the CalEITC.
3. Income with the CalEITC and YCTC, and
4. Income with the CalEITC, YCTC, and the federal EITC.

Unlike Sections 1 through 4 of the report, which are based on tax year data, the poverty analysis relies on process year 2025 original return data where the CalEITC was allowed. The reason for using process year instead of tax year is to include everyone who received CalEITC benefits in 2024 as part of the poverty analysis. Though much data is available on returns, there are limitations to the data as it applies to the estimates of deep poverty. However, as discussed below, the FTB does not believe these data limitations have a substantial effect on the resulting deep poverty estimates.

The FTB's primary concern with this deep poverty analysis is that the U.S. Census federal poverty level income computations are derived using Current Population Survey data and some of the items used to compute poverty status at the federal level, specifically public assistance payments, are not reported on tax returns. California has various welfare programs that provide direct cash grants or public assistance payments to working families but because these types of payments are not taxable and not reported on tax returns, they are not available to the FTB on a taxpayer-by-taxpayer basis. As a result, the FTB is unable obtain public assistance payment data, a substantial income item used in determining poverty status to complete this analysis.

There is no perfect way for the FTB to identify which adults and/or dependents represented on tax returns received or would qualify for public assistance income. Incorrect assumptions about family income could affect poverty and deep poverty estimates reported below. Because of this concern, the estimate for the deep poverty impacts of state and federal EITC are presented in two ways. First, the number of Californians lifted out of deep poverty is presented using only available tax return income data, assuming no public assistance income. Second, to provide some insight into the impact public assistance payments might have, the same analysis is presented in Table 10 using public assistance data by filing status and number of dependents based on a California Department of Finance analysis of the Census Bureau's 2024 American Community Survey, Public Use Microdata Set.

Table 10: Average Annual Public Assistance for Californians Living in Deep Poverty by Filing Status and Number of Dependents in Calendar Year 2024*

Filing Status	0	1	2	3+
Single, Head of Household, Widow	\$133	\$755	\$1,119	\$2,063
Married Filing Jointly	\$51	\$144	\$424	\$1,072

**Includes individuals receiving no public assistance*
Source: Census Bureau 2024 American Community Survey

Another limitation in the data available to the FTB is in the definition of a family unit. The federal poverty thresholds reported depend on both total family size, and the number of family members under age 18. The FTB data, however, only includes age information for dependents if the dependent qualifies as a child for EITC purposes. The analysis presented here assumes that a family includes the taxpayer or taxpayers on a return as well as all dependents claimed, and that dependents without age information are under age 18. For those taxpayers with dependents incorrectly assumed to be under age 18, the analysis slightly underestimates their poverty level threshold. Comparing across columns the differences in poverty thresholds for dependents of different ages are small, therefore, the assumption that all dependents without age information are under 18 is unlikely to substantially impact the final estimated poverty results.

Estimate Results: Lifting Families Out of Deep Poverty

Per statute, the FTB is required to provide estimates of the number of families who are lifted out of deep poverty by (1) the CalEITC and (2) by the combination of the CalEITC and the federal EITC. Figure 2 provides a visual example of the 2024 deep poverty income scale.

Figure 2: Family's Base Income and Percent of Federal Poverty Level with and without CA and Federal EITC (Example: Single Filer with Two Qualified Children Under Age 18)

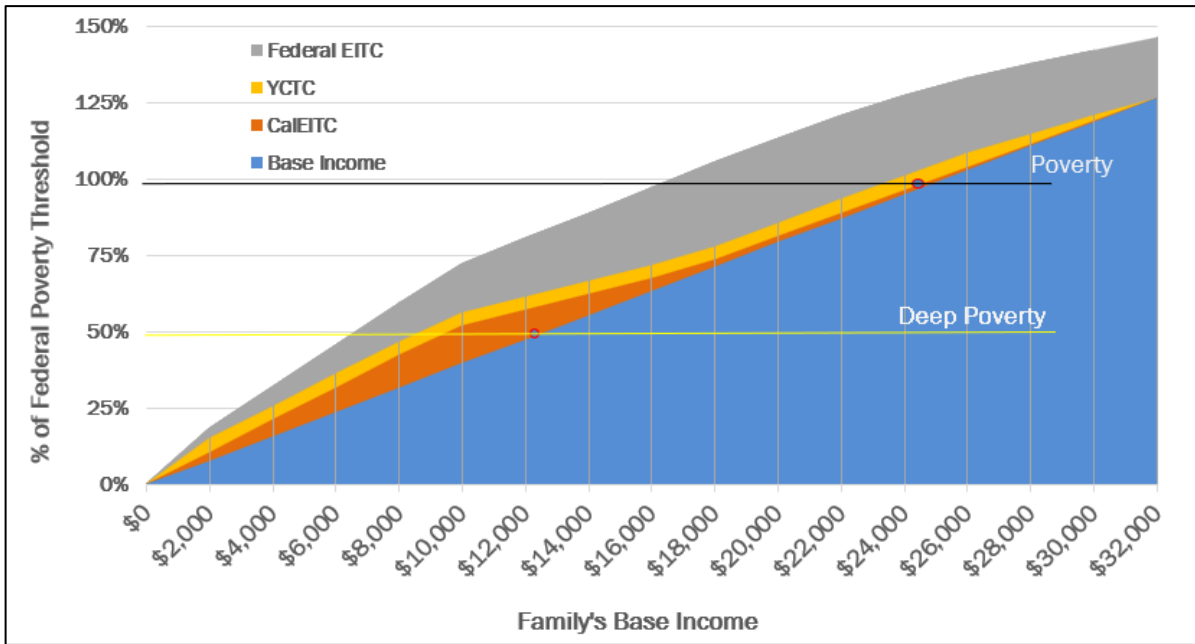


Figure 2 shows the range of effects that the CalEITC, YCTC and the federal EITC have across base income levels for a family represented by a single qualified CalEITC taxpayer with two qualified children under 18 years of age. For purposes of this example, assume that a family's base income does not include income from public assistance payments. Based on the federal thresholds, this family's poverty income threshold is \$25,273 in 2024 and \$12,636 for deep poverty. Tables 11 through 13 below illustrate the processes applied to the CalEITC return data in order to estimate the state and federal earned income tax credit effect on deep poverty status.

Table 11 summarizes the impact of federal and state anti-poverty credits on lifting families out of deep poverty. For example, in Table 11, at a base income of \$9,432, the CalEITC is \$3,205 for tax year 2024. Adding the CalEITC amount to base income brings the family's total income to \$12,637 and above deep poverty. By including the federal EITC and combining with the CalEITC, the base income needed is reduced to \$7,253. The table also shows the impact of adding YCTC or FYTC.

Table 11: Minimum Income to be Lifted Out of Deep Poverty by the CalEITC, YCTC, and Fed EITC

Family's Base Income	CalEITC	YCTC	Fed EITC	Adjusted Income
\$9,432	\$3,205	-	-	\$12,637
\$8,567	\$2,916	\$1,154	-	\$12,637
\$7,253	\$2,474	-	\$2,910	\$12,637
\$6,600	\$2,236	\$1,154	\$2,650	\$12,640

Table 12 includes a summary of the estimated deep poverty results, without including public assistance income assumptions in base income. Of the 3,383,436 returns which were allowed the CalEITC, 775,000 families and 1,441,000 individuals are categorized as being in deep poverty when only their adjusted federal AGI is measured against the federal poverty thresholds. When adding the CalEITC amounts allowed for each return, 65,000 families and 167,000 individuals are lifted above deep poverty.

Table 12: Number of Families and Individuals Lifted Out of Deep Poverty - No Public Assistance (Numbers in Thousands)

Income Items Used in Deep Poverty Calculations	Families in Deep Poverty	Families Above Deep Poverty	With EITC: Families Lifted Out of Pre-EITC Deep Poverty	Individuals In Deep Poverty	With EITC: Individuals Lifted Out of Pre-EITC Deep Poverty
Base Income (no Public Assistance)	775	2,608	-	1,441	-
Base Income + CA EITC	710	2,673	65	1,274	167
Base Income + CA EITC + YCTC	691	2,692	84	1,215	226
Base Income + CA EITC + YCTC + Fed EITC	590	2,793	185	924	517

In the above calculation, both the CalEITC and the YCTC amounts are added to base income. The data shows that 84,000 of the 775,000 families in deep poverty are lifted above deep poverty income levels. The combination of the CalEITC and YCTC lifts over 226,000 individuals out of deep poverty compared to a family's base income without either program. In the final analysis without public assistance

payments, the CalEITC, YCTC and Federal EITC are added to base income. Out of the 775,000 families in deep poverty, 185,000 families are lifted above the deep poverty line. The combination of the three credits lifts 517,000 individuals out of deep poverty.

To provide insight on the effect that public assistance payments might have on deep poverty results, a second round of analysis was completed in which families are assumed to have received public assistance income in 2024 (see Table 10). The FTB received data from the Department of Finance on the amount of public assistance provided to families in deep poverty, broken out by filing status and number of dependents. For this analysis, the FTB assumed that each taxpayer received the average amount of assistance for their filing status and family size. A summary of the estimated deep poverty results under this scenario is provided in Table 13.

Table 13: Number of Families and Individuals Lifted Out of Deep Poverty – With Public Assistance (Numbers in Thousands)

Income Items Used in Deep Poverty Calculations	Families in Deep Poverty	Families Above Deep Poverty	With EITC: Families Lifted Out of Pre-EITC Deep Poverty	Individuals In Deep Poverty	With EITC: Individuals Lifted Out of Pre-EITC Deep Poverty
Base Income (no Public Assistance)	775	2,608	-	1,441	-
Base Income (with Public Assistance)	730	2,653	45	1,311	130
Base Income (w/PA) + CA EITC	661	2,722	69	1,135	176
Base Income (w/PA) + CA EITC + YCTC	645	2,738	85	1,084	227
Base Income (w/PA) + CA EITC + YCTC + Fed EITC	565	2,818	165	860	451

Assuming average levels of public assistance, the number of individuals in deep poverty before receiving federal or California EITC drops from 1,441,000 to 1,311,000. The number of families in deep poverty drops from 775,000 to 730,000. In this simulation, the CalEITC lifts 69,000 families and 176,000 individuals out of deep poverty. The combination of the CalEITC and YCTC lifts 85,000 families and 237,000

individuals out of deep poverty and the combination of the three credits lifts 165,000 families and 451,000 individuals out of deep poverty.

5) CalEITC Return Filing Trends

To complement the analyses in the previous sections, Tables 14 and 15 present year-over-year filing trend data related to new and recurring CalEITC claimants.

Table 14 shows that for tax years 2022 through 2024, an average of about 800,000 new CalEITC claims were made per year, or about 25% of total CalEITC claims. For purposes of this report, new claims are classified as those who did not claim CalEITC in the preceding seven taxable years but claimed for the taxable year listed in the table. For example, the new claims in tax year 2022 are for taxpayers who had not previously claimed CalEITC between tax years 2015 to 2021, new claims in tax year 2023 are for taxpayers who had not previously claimed CalEITC between tax years 2016 to 2022, and so on. With the dissemination of education and outreach to the CalEITC-eligible population, over time the number of new claims could decrease as more individuals learn about the credit; additionally, economic and eligibility changes over time may have an impact.

Table 14: New CalEITC Claims as a Percentage of Total CalEITC Claims

	TY 2022	TY 2023	TY 2024
Number of New CalEITC Claims	822,643	863,866	770,251
Total CalEITC Claims	3,293,476	3,340,639	3,202,365
Percent New Claims	25.0%	25.9%	24.1%

Table 15 shows statistics for the taxpayers who claimed CalEITC in the prior year and whether they filed or did not file a tax return in the subsequent year. The data indicates on average, about 83% of taxpayers who claimed CalEITC in the prior year filed a tax return in the subsequent year, while the remaining 17% did not file a subsequent year return at all. For example, out of the 3,340,827 EITC claimants in tax year 2023, 2,754,546 filed a return in tax year 2024, and 586,281 did not.

Table 15: Number of Prior Year CalEITC Filers who Filed a Subsequent Year Tax Return

	TY 2021 to TY 2022	TY 2022 to TY 2023	TY 2023 to TY 2024
Total Prior Year CalEITC Claims ²	3,475,316	3,293,760	3,340,827
Total Prior Year CalEITC Claimants who Filed a Subsequent Year Return ³	2,886,452	2,767,354	2,754,546
<i>Percent of Total</i>	83.1%	84.0%	82.5%
Total Subsequent Year Nonfilers	588,864	526,406	586,281
<i>Percent of Total</i>	16.9%	16.0%	17.5%

Table 16 further breaks down the filers from Table 15 according to whether they reclaimed CalEITC or filed a return without reclaiming the credit. The data indicates that approximately 65% of taxpayers who claimed CalEITC in the prior year, filed a subsequent year return reclaiming the credit. The remaining 35% of taxpayers filed a return but did not reclaim the credit.

Table 16: Breakdown of Prior Year CalEITC Claimants who Filed a Subsequent Year Return and Either Reclaimed or did not Reclaim CalEITC

	TY 2021 to TY 2022	TY 2022 to TY 2023	TY 2023 to TY 2024
Total Filers	2,886,452	2,767,354	2,754,546
Filed with CalEITC	1,807,825	1,819,943	1,805,881
<i>Percent of Total</i>	62.6%	65.8%	65.6%
Filed Without CalEITC	1,078,627	947,411	948,665
<i>Percent of Total</i>	37.4%	34.2%	34.4%

² Prior year CalEITC claims shows data from TY 2021, 2022 and 2023, on the number of taxpayers who filed a return and claimed CalEITC in the prior tax year. For example, the 3.34 million indicated in the TY 2023 to TY 2024 column shows the number of CalEITC claims in tax year 2023 (prior year).

³ This data point shows data from tax years 2022, 2023, and 2024, on taxpayers within the pool of prior year CalEITC claimants who also filed a current tax year return, whether or not they reclaimed the credit. For example, the 2.75 million in the TY 2023 to TY 2024 column represents the portion of the 3.34 million taxpayers who claimed CalEITC in TY 2023 and also filed a subsequent year return in TY 2024.

Table 17 extends Table 15 and 16 one step further, by breaking out the previous CalEITC filers who filed in the subsequent year but did not claim CalEITC, allowing us to see the total population of filers whose income rose above eligibility threshold. The data indicates that for tax year 2024, approximately 24% of taxpayers who claimed CalEITC in the prior year did not claim in the subsequent year even though their federal AGI was below the earned income limit.⁴ Nearly 76% of these taxpayers did not reclaim because their AGI exceeded the income limit, phasing them out of eligibility.

Table 17: Income Threshold Breakdown of Filers who did not Reclaim CalEITC⁵

	TY 2021 to TY 2022	TY 2022 to TY 2023	TY 2023 to TY 2024
Total Filers Without CalEITC	1,078,627	947,411	948,665
Number Below the Income Limit	224,480	223,241	228,379
<i>Percent Below Income Limit</i>	20.8%	23.6%	24.1%
Number Above the Income Limit (Phased Out)	854,062	724,161	720,277
<i>Percent Above Income Limit</i>	79.2%	76.4%	75.9%

CalEITC and Other Anti-Poverty Outreach Efforts

The federal EITC and CalEITC are the largest anti-poverty cash assistance programs in the United States. The CalEITC benefits millions of taxpayers and results in hundreds of thousands of dollars in refunds being sent to California families each year. During process year 2024, tax refunds of \$1.4 billion in the CalEITC, YCTC, and FYTC were issued to low-income taxpayers. Unfortunately, not all lower-income households file a tax return to claim these valuable credits. To better understand the reasons eligible taxpayers are not claiming anti-poverty credits, the FTB published a report identifying the most common barriers to uptake. One uptake opportunity identified in the study was education and outreach and coordination of efforts among State agencies that serve low-income populations. A bill allowing data sharing between the FTB, the California Department of Social Services (CDSS), and the State Department of Health Care Services (DHCS) was enacted for the purpose of identifying and informing state

⁴ There are a variety of reasons why eligible taxpayers may not claim CalEITC, including the complexity of filing a tax return, language barriers, tax preparation fees, etc. For more detail on the barriers that exist for qualified taxpayers, see [FTB's SB 1409 Report to the Legislature \(2022\)](#).

⁵ Income threshold is based on a taxpayer's federal AGI. Taxpayers are considered phased out of eligibility if their income exceeds \$30,000 in tax year 2022, \$30,950 in tax year 2023, and \$31,950 in tax year 2024.

residents of the availability of Volunteer Income Tax Assistance (VITA), CalFile, federal EITC, the CalEITC, and other federal and state antipoverty tax credits that are designed to alleviate poverty and tax burdens of low-income households.

Legislative Background

- Chapter 114 of the Statutes of 2020 (SB 1409) directed the FTB to report to the Legislature, by January 1, 2022, an analysis and plan, to increase the number of claims of the federal EITC and the CalEITC allowed and explore alternative filing systems.
- Chapter 953 of the Statutes of 2022 (AB 1863) directed the FTB to notify potential eligible CalEITC recipients of the availability of the CalEITC and of the paperless (electronic) filing options offered through the FTB beginning January 1, 2023. It also directed the FTB to report to the Legislature, as specified, on or before January 1, 2026.
- Chapter 737 of the Statutes of 2022 (AB 158) repealed and replaced RTC section 19551.3, authorizing the FTB to exchange data with the CDSS, and the DHCS for purposes of identifying taxpayers who may qualify for specified antipoverty credits, and inform them of free filing options available through VITA, and CalFile. This bill also required the CDSS and the DHCS, beginning January 1 of each calendar year, to provide their outreach findings, as specified, to the FTB.
- Chapter 55 of the Statutes of 2023 (SB 131) extended the sunset date under RTC section 19551.3 for the FTB, CDSS, and DHCS to share data through January 1, 2026, and modified the metrics to be shared. Additionally, this bill amended GOV section 12419.3.3 by adding FYTC to the list of credits where the Controller cannot offset delinquent accounts against. This bill also amended the EITC Information Act requiring California employers, state departments, and certain agencies to provide formal notification of possible eligibility for the CalEITC.
- Chapter 277 of the Statutes of 2023 (AB 1355) required employers, including state agencies, to notify all employees that they may be eligible for VITA, CalFile, and state and federal antipoverty tax credits, including the EITC and CalEITC. This requirement applied to notices furnished on or after January 1, 2024.

A. Outreach Background

Both the FTB and the IRS have engaged in numerous outreach efforts to encourage potentially eligible federal EITC and CalEITC taxpayers to file income tax returns. These efforts, in general, have had limited success.

This report describes the outreach efforts conducted after 2024. For a complete background of outreach conducted since 2015, please see the [Tax Year 2022 CalEITC Report](#).

B. Outreach Funding and Data Sharing Agreements

In 2022, legislation was passed (Chapter 737, Statutes of 2022) to allow the FTB and the CDSS to share data for purposes of informing state residents of the availability of VITA, CalFile, the federal EITC, the CalEITC, and other federal and state antipoverty tax credits that are designed to alleviate poverty and tax burdens of low-income households. To achieve this, CDSS sends the FTB CalWORKS and CalFresh recipient data from the most recent calendar year, and the FTB identifies the recipients who did not file a return in the most recent tax years. The FTB also narrows the recipients to just those wage earners appearing to fall within the range of eligibility for CalEITC and who are over the age of 18. A Non-Filer flag is then returned to CDSS. In addition, the FTB is authorized and funded to conduct an annual outreach letter campaign for taxpayers who may be qualified CalEITC recipients.

C. 2025 FTB Outreach Letter Campaign

In 2025, the third consecutive year of FTB's Outreach Letter Campaign, the FTB sent letters to prior year filers (Filers) who appeared to be qualified CalEITC recipients but did not claim the credit. Using the taxpayer's most recent return, the letter included an estimated CalEITC range and directed the taxpayer to fill out the Form 3514 and return it to the FTB for processing. The FTB also reached out to taxpayers who had not filed a return (Non-Filers) for the last two years (taxable years 2023 or 2024) and based on available data appeared to be qualified CalEITC recipients. 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.

Non-Filer Outreach

Between mid-July and mid-August of 2025, the FTB sent about 114,000 letters to Californians who did not file a California state income tax return for tax years 2023 or 2024. However, these individuals appeared to be eligible for CalEITC based on state employment records and one or more state tax returns they filed for tax years 2020 through 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 2,900 taxpayers responded by filing a tax return, receiving \$590,000 in CalEITC credits.

In addition to the taxable year 2024 returns filed in response to the letter, these taxpayers also filed approximately 1,100 returns for tax years within the statute of limitations and were allowed an additional \$250,000 in CalEITC credits.

Filer Non-Claimant

Between mid-July and mid-August of 2024, the FTB mailed approximately 85,000 letters to Californians who filed a tax year 2024 return, but did not claim CalEITC, to inform them they appeared to qualify for the credit. FTB provided an estimate of the credit amount for which they might be eligible and encouraged taxpayers to claim the credit by completing the CalEITC Form 3514 and returning it to the FTB. Nearly 800 taxpayers received over \$200,000 in CalEITC refunds.

Table 18: FTB Letter Outreach Summary

	Non-Filer	Filer	Total
Total Letter Volume	113,699	84,845	198,544
Total Number of Credits Claimed	3,080	1,234	4,314
Total Number of Credits Allowed	2,884	733	3,657
Total Amount of Credit Allowed	\$589,879	\$204,977	\$794,856
Response Rate	2.71%	1.45%	2.17%

Data for tax returns filed between August 1, 2025, and January 31, 2026, as of March 3, 2026.

D. 2026 FTB Outreach Letter Campaign

FTB's fourth outreach letter campaign is currently in progress, but a change to the process is worth noting in this year's report. After evaluating the outreach program and associated trends, FTB determined that shifting the Non-Filer outreach timeline to begin in February 2026 would better accommodate the targeted population that typically files earlier in the year to get a refund, without negatively impacting staff workloads during a typical filing season. The revised timeline and eligibility criteria will hopefully be more effective in increasing non-filer uptake rates. These changes are not reflected in the table above but will be reported in next year's report.

E. CDSS Outreach

In Spring of 2025, CDSS delivered text and email messages to approximately 3.2 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 Fall of 2025, the CDSS identified and contacted nearly 95,000 Non-Filers who received CalFresh and 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.