

BUILDING ON A DECADE OF PROGRESS

**Strengthening California's Refundable Income
Tax Credits to Help Californians Make Ends Meet**

Alissa Anderson, Policy Director



Tax Credits Help Californians Struggling with the High Cost of Living

The **CalEITC**, **Young Child Tax Credit**, and **Foster Youth Tax Credit** are core components of the safety net.

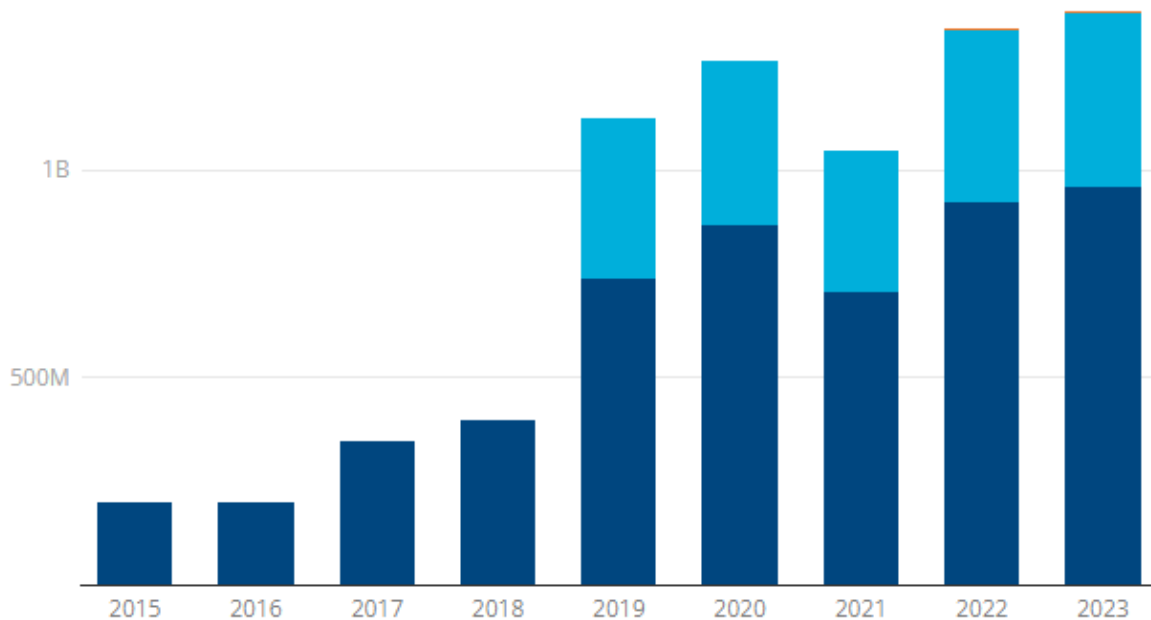
They provide cash refunds to families and individuals with low incomes, helping them to pay for food, diapers, and other basic needs.



State Refundable Tax Credits Boosted Californians' Incomes by Over \$1.3 Billion in Recent Years

Aggregate Credits Provided by Tax Year

■ CalEITC ■ Young Child Tax Credit ■ Foster Youth Tax Credit



Note: Data for 2023 are incomplete, reflecting claims as of September 30, 2024.

Source: Franchise Tax Board



California Budget
& Policy Center

Millions of Californians Struggle to Afford Basic Needs Every Day

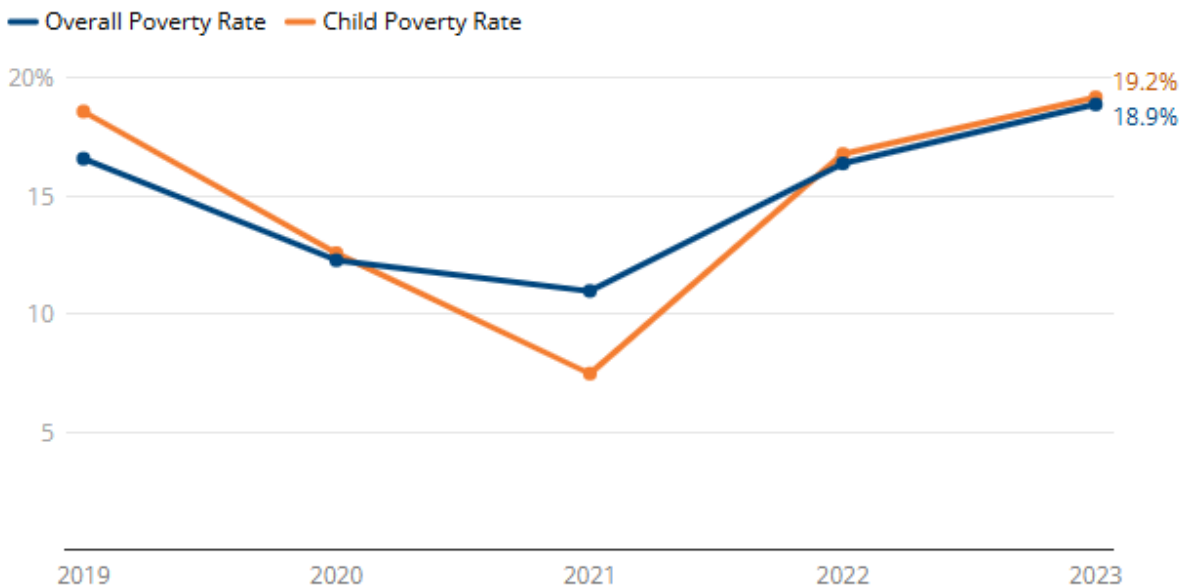
Persistently **high inflation** has hit families and individuals with low incomes especially hard.

Price increases have risen the most for food, housing, and other necessities that make up most of their spending.



California Poverty Rates Continued to Rise in 2023 Following the Repeal of Pandemic-Era Policies

California Poverty Rate Under the Supplemental Poverty Measure, 2019 - 2023



Note: The change in the overall poverty rate between 2022 and 2023 is statistically significant at the 95% confidence level. The change in child poverty from 2022 to 2023 is not significant. However, the differences between 2021 and 2023 are statistically significant both overall and for children.

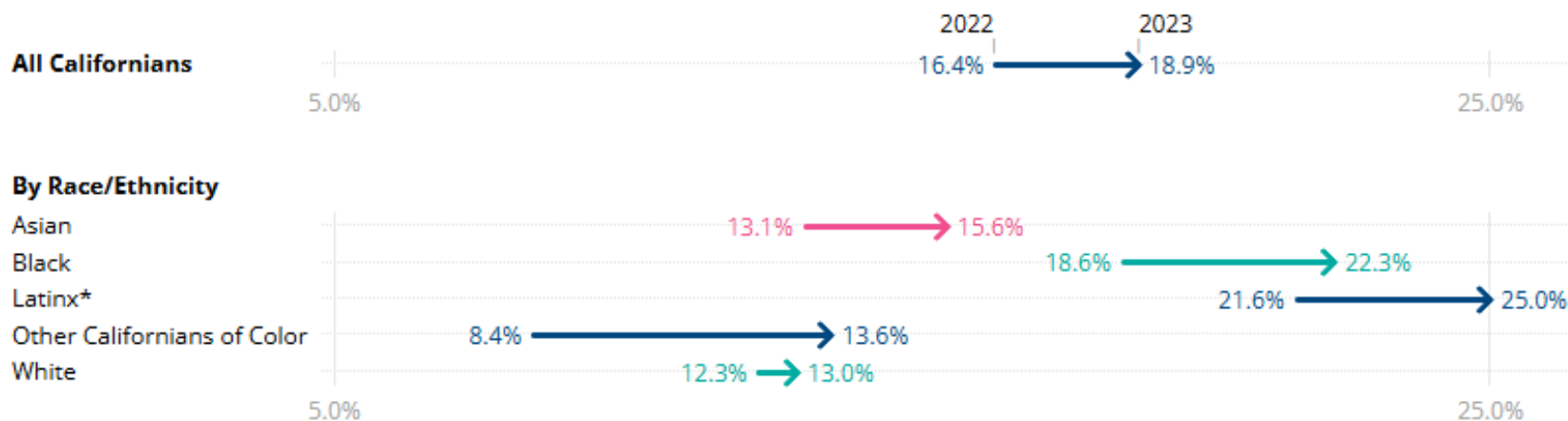
Source: Budget Center analysis of US Census Bureau, Current Population Survey public-use microdata • [Download image](#)



California Budget
& Policy Center

Poverty Increased for All Racial and Ethnic Groups in California in 2023

California Poverty Rates Under the Supplemental Poverty Measure, 2022 to 2023



Note: Changes in poverty rates between 2022 and 2023 for starred groups are statistically significant at the 95% confidence level. "Other Californians of Color" includes American Indians and Alaska Natives, Native Hawaiians and Pacific Islanders, and people identifying with more than one race.

Source: Budget Center analysis of US Census Bureau, Current Population Survey public-use microdata • [Download image](#)



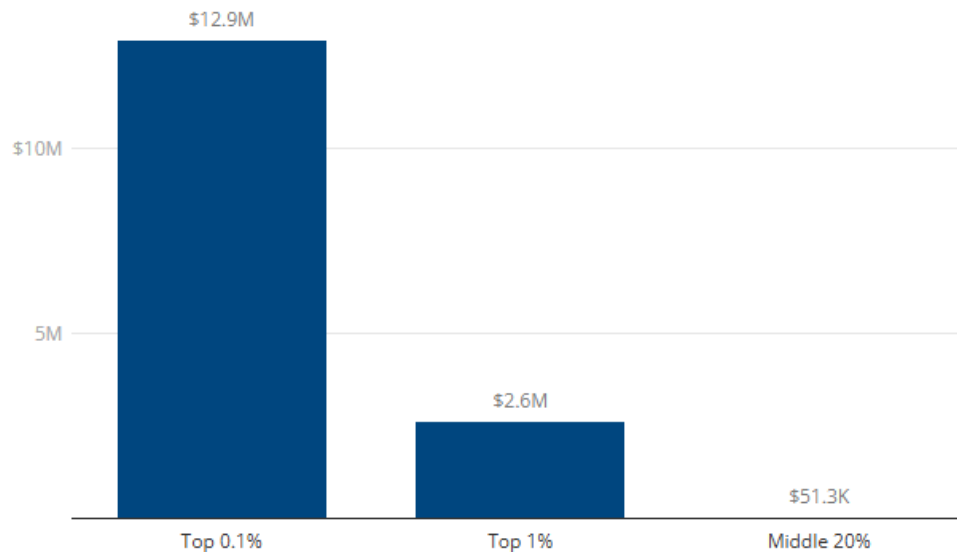
California Budget
& Policy Center

The Richest 0.1% of Californians Have More Income Than the Middle 20%



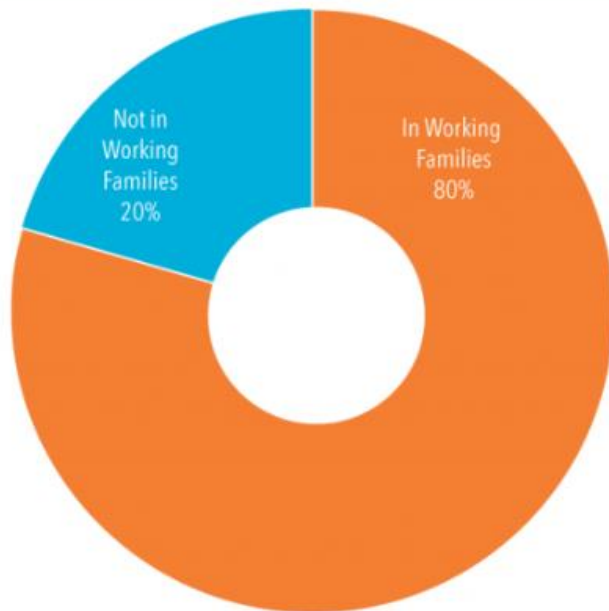
The Top 0.1% of Californians Make in About One Day What the Middle 20% Make in One Year

Average Adjusted Gross Income, Tax Year 2022



8 in 10 Californians Who Can't Afford Basic Needs Live in Working Families

Family Work Status for Individuals in Poverty Based on the California Poverty Measure, 2019



Note: Excludes individuals in families that include only seniors.

Source: Budget Center analysis of US Census Bureau, American Community Survey public-use microdata developed for the California Poverty Measure, a joint project of the Stanford Center on Poverty and Inequality and the Public Policy Institute of California.



California Budget
& Policy Center



Federal actions are likely to increase poverty & hardship.

California leaders must do everything possible to mitigate the harm.

Boost Tax Credit Take Up

- Ongoing funding for Free Tax Preparation Assistance and CalEITC+ education & outreach.
 - Trusted relationships
 - Cultural competency
 - ITIN support
- Maximize implementation of CalFile & IRS Direct File portal integration.
- Directly connect public benefits recipients to tax credits they are eligible for.



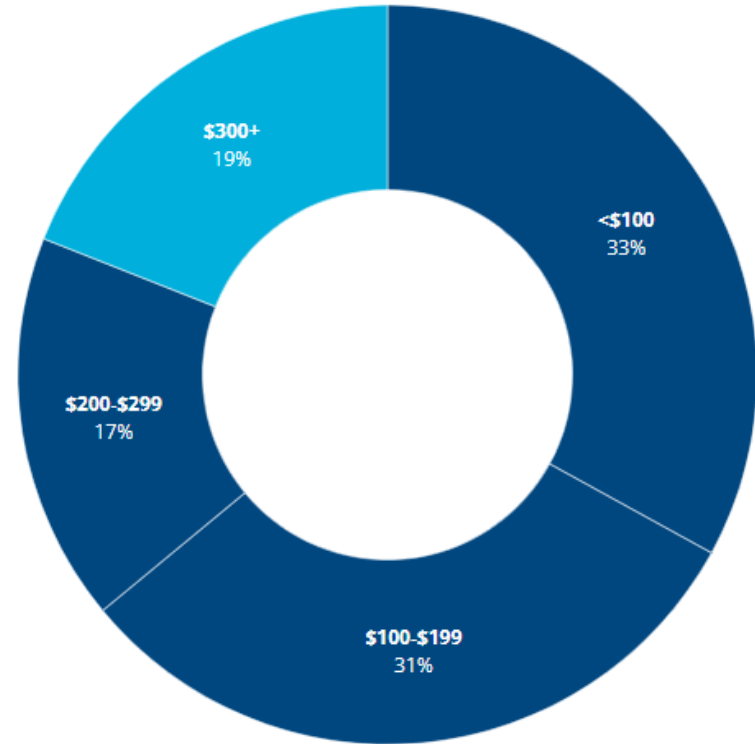
Raise the CalEITC Minimum Credit to \$300

This would provide a **more meaningful credit** to roughly **3 million** working Californians with low incomes.

- Currently, most CalEITC recipients get less than \$300 and **the majority are excluded from the federal EITC**, making a larger CalEITC even more important.
- CalEITC recipients who are excluded from the federal EITC:
 - Workers who file taxes with ITINs.
 - Workers ages 18-24 or 65+ without dependent children.
 - Workers without dependent children who earn about \$18,600 to \$32,000.

Most CalEITC Recipients Get Less than \$300 from the Credit

Percentage of CalEITC claims by size of credit, tax year 2023



Note: Claims as of September 28, 2024

Source: Franchise Tax Board

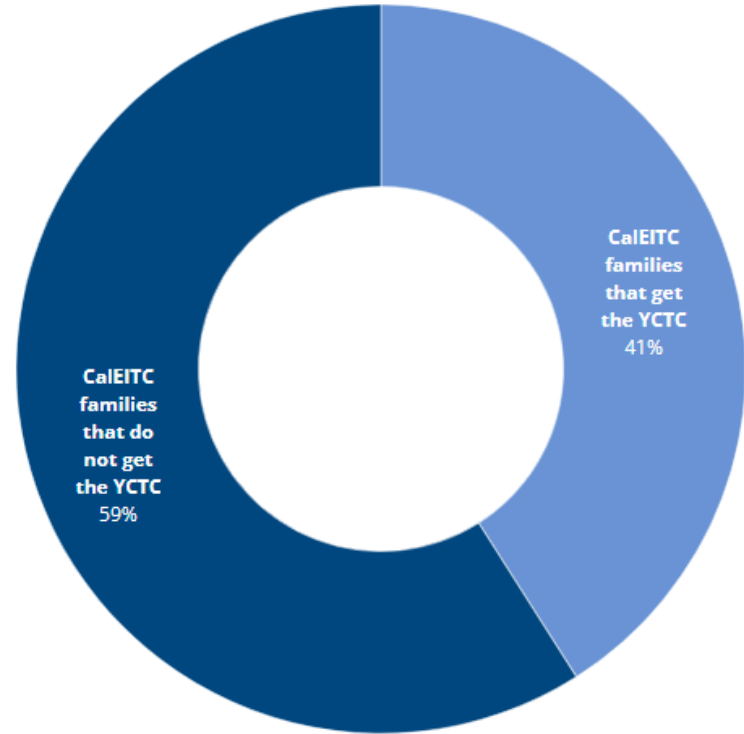
Extend the YCTC to All CalEITC-Eligible Families

This would provide **\$1,153** to about **500,000** families with low incomes.

- Currently, the YCTC is only available to families with children ages 0-5. This would extend the credit families with:
 - Children ages 6-18
 - Children ages 19-23 who are students
 - Children of any age with permanent and total disabilities
- ***Most of the families who would benefit are excluded from the full federal Child Tax Credit,*** making access to California's YCTC even more important.

Most Families Who Get the CalEITC Do Not Qualify for the Young Child Tax Credit

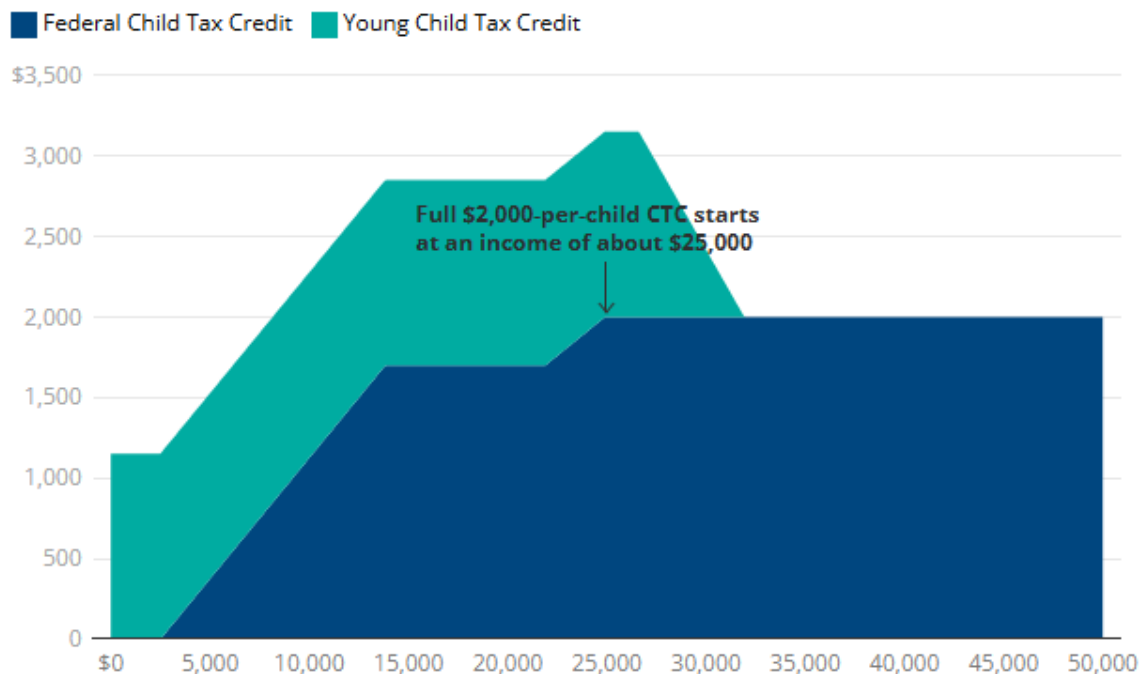
Percentage of Families with Children Getting the CalEITC, Tax Year 2021



Source: Franchise Tax Board

Extending the YCTC to Families with Older Children Would Help Families Excluded from the Federal CTC

Credits for a Single Parent with One Child by Annual Earnings, Tax Year 2024



Note: The Federal CTC is only available for children with Social Security Numbers.

Source: Budget Center analysis of California and federal tax code



California Budget
& Policy Center

All Californians Deserve to Have the Resources to Thrive

