



## Summary Analysis of Amended Bill

Author: Reyes

Sponsor:

Bill Number: AB 1593

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Amended: April 1, 2019

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Related Bills: See Prior Analysis

**Subject:** Earned Income Refundable Tax Credit/Individual Taxpayer Identification Numbers (ITINs)

### Summary

This bill would, under the Personal Income Tax Law (PITL), modify the California Earned Income Tax Credit (California EITC).

**Recommendation – No position.**

### Summary of Amendments

The April 1, 2019, amendments added Legislative findings, removed provisions that would have increased the amount of the California EITC, and made other technical changes.

As a result of the amendments, except for the “This Bill” and “Economic Impact” sections, the remainder of the department’s analysis of the bill as introduced February 22, 2019, still applies. The “Effective/Operative Date,” “Implementation Considerations,” “Fiscal Impact,” and “Policy Concerns” sections have been restated below for convenience.

### Effective/Operative Date

This bill would be effective January 1, 2020, and would be specifically operative for taxable years beginning on or after January 1, 2019.

### This Bill

For each taxable year beginning on or after January 1, 2019, this bill, under the PITL, would revise the California EITC by allowing eligible individuals, their spouses, and qualifying children to have either a federal individual taxpayer identification number (ITIN) or a social security number (SSN) without regard to being valid for employment.

## Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

This bill, by allowing federal ITINs and other SSNs not valid for employment, would significantly expand eligibility for the California EITC beyond federal eligibility, thus requiring the department to expand its efforts to identify and deny improper claims.

Absent an SSN, the department would be unable to accurately match or verify the taxpayer-reported wage and withholding information with employer-reported wages to the Employee Development Department, increasing the likelihood of improper claims.

## Fiscal Impact

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

## Economic Impact

### Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1593 as Amended April 1, 2019  
Assumed Enactment after June 30, 2019

(\$ in Millions)

<b>Fiscal Year</b>	<b>Revenue</b>
2019-2020	-\$60
2020-2021	-\$65
2021-2022	-\$65

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Based on output from the Franchise Tax Board's California EITC micro-simulation model comparing current law and proposed law model results, it is estimated that expanding the California EITC to taxpayers with federal ITINs would result in a \$60 million revenue loss in the 2019 taxable year.

The tax year estimates are converted to fiscal year estimates and rounded to arrive at the amounts shown in the above table.

### **Policy Concerns**

This bill would create additional differences between federal and California eligibility rules for the California EITC, thereby increasing the complexity of California tax return preparation.

The department is concerned that the proposed use of federal ITINs could lead to an increase in improper claims and payments.

### **Legislative Staff Contact**

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