



Bill Analysis

Author: Committee on
Revenue and Taxation

Sponsor: Franchise Tax Board

Bill Number: AB 1519

Related Bills: See Legislative
History

Introduced: March 13, 2025

SUBJECT

Federal Direct File Notification

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would require employers to update employee notices to include information about the Internal Revenue Services' (IRS) Direct File program on or after January 1, 2026.

RECOMMENDATION

Support.

On December 10, 2024, the three-member Franchise Tax Board voted in favor of sponsoring this legislation.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to educate taxpayers about income tax filing resources.

ANALYSIS

This bill would, under the AFITL, and for notices furnished on or after January 1, 2026, require employers to inform employees about the availability of the IRS' Direct File program by modifying the content in the notice that is required to be furnished to employees and public assistance program recipients, to include information about the availability of Direct File.

This bill would define "Direct File" as the IRS's free online tax tool, for taxpayers to complete and electronically file their federal taxes directly with the IRS.

The changes made by this bill would apply to notices furnished on or after January 1, 2026.

Effective/Operative Date

This bill would be effective on January 1, 2026, and specifically operative for notices furnished on or after that date.

*Federal/State Law**Federal Law*

Federal law requires employers to notify their employees that they may be eligible for the Earned Income Tax Credit (EITC). The IRS publishes Notice 797 which contains information about the EITC. Employers may provide Notice 797 to their employees about a possible EITC refund.

State Law

The Earned Income Tax Credit Information Act requires California employers to notify their employees, and certain state departments and agencies to notify their public assistance program recipients, of possible eligibility for Voluntary Income Tax Assistance (VITA), CalFile, and state and federal antipoverty tax credits, including the federal EITC and CalEITC (Revenue and Taxation Code (RTC) section 19853).

Employers are required to mail or hand the notification directly to the employee within one week before or after, or at the same time as, the employer provides an annual wage summary (Form W-2 or Form 1099) to the employee. The employer is required to send a second notification to all employees during the month of March. This notice may be sent electronically. "Employer" is defined in Section 19852 as, any California employer who is subject to, and is required to provide, unemployment insurance to their employees, under the unemployment Insurance Code.

State departments and agencies that serve individuals who may qualify for VITA or state and federal antipoverty tax credits are required to notify their program recipients that they may be eligible for VITA, CalFile, and state and federal antipoverty tax credits at least once per year during the months of January through March, or, alternatively during a regularly scheduled contact with a recipient by telephone, mail, or electronic communication, or by an in-person communication.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 131 (Chapter 55, Statutes of 2023) amongst other provisions, under the AFITL, modified and added additional definitions related to specified tax credits. The bill also required employers to notify employees who may be eligible for VITA, CalFile, and antipoverty tax credits of their possible eligibility. In addition, the notice language was updated to provide additional information.

AB 1847 (Chapter 294, Statutes of 2016) under the AFITL, modified the EITC Information Act to require that California employers, state departments, and certain agencies also provide formal notification to their program recipients of possible eligibility for the CalEITC.

PROGRAM BACKGROUND

California law, pursuant to RTC section 19853, initially required employers to notify their employees about the federal EITC program. In 2011, the notification requirement was expanded to state departments and agencies. In 2016, the notice requirement was expanded to include the CalEITC. In 2023, the notice requirement again expanded to include notification about the following items: VITA; specified state and federal antipoverty tax credits; and CalFile.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

This bill would not significantly impact the Franchise Tax Board's costs.

ECONOMIC IMPACT*Revenue Estimate*

This bill as introduced on March 13, 2025, would not impact the calculation of state income or franchise tax revenue.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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