



Bill Analysis

Author: Ahrens

Sponsor:

Bill Number: AB 1690

Related Bills: See Legislative
History

Introduced: February 3, 2026

SUBJECT

Young Child Tax Credit – Qualifying Child Expansion

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable year beginning on or after January 1, 2026, expand eligibility for the Young Child Tax Credit (YCTC), by gradually increasing the age of a “qualifying child” from younger than 6 years of age to younger than 18 years of age.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to expand eligibility for the YCTC by gradually increasing the age limitation for a qualifying child until the maximum age of 17 years old.

ANALYSIS

Under the PITL, this bill would modify the definition of a “qualifying child”, for purposes of the YCTC, by gradually increasing the age limitation as follows:

- For taxable years beginning on or after January 1, 2026, and before January 1, 2038, the qualifying child would be younger than six years old, plus the age increase factor as of the last day of the taxable year.
- For taxable years beginning on or after January 1, 2038, a qualifying child would be younger than 18 years old on the last day of the taxable year.

This bill would define the term, “age increase factor” as the number of whole calendar years that have passed between January 1, 2026, and the last day of the applicable taxable year.

For purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), this bill would require the Franchise Tax Board (FTB) to separately state information on the number of tax returns claiming the credit, the number of qualifying children represented on the tax returns claiming the credit, and the average credit amount of tax returns claiming the credit for taxpayers impacted by the qualifying child age expansion, and include an estimate for each of those details as if the age limitation had not increased.

Effective/Operative Date

This bill would be effective January 1, 2027, and specifically operative for taxable years beginning on or after January 1, 2026.

Federal/State Law

Federal Law

Earned Income Tax Credit (EITC)

Existing federal law allows eligible individuals a refundable EITC. A refundable credit allows for the excess of the credit over the taxpayer’s tax liability to be refunded to the taxpayer. The EITC is a percentage of the taxpayer’s earned income and is phased out as income increases. For 2025, the EITC is available to taxpayers filing as individuals earning up to \$61,555 and taxpayers filing as married filing jointly earning up to \$68,675.

An eligible individual is defined as follows:

- Any individual who has a qualifying child for the taxable year, or
- Any other individual that does not have a qualifying child for the taxable year, if they meet the following requirements:
 - Has attained the age of 25 but not 65 before the close of the taxable year.
 - Has a principal place of abode in the United States for more than one-half the taxable year.
 - Not be a dependent of another taxpayer.

An eligible individual (and spouse, if filing a joint return) also must be a U.S. citizen or resident alien. If the eligible individual or spouse were a nonresident alien for any part of the tax year, the qualified individual can only claim the EITC if their filing status is married filing jointly and the individual or spouse is a:

- U.S. Citizen with a valid Social Security number (SSN) issued on or before the due date of the tax return, or
- Resident alien who was in the U.S. at least 6 months of the year and has a valid SSN issued on or before the due date of the tax return.

Certain individuals are specifically excluded from the definition of an eligible individual, including, a qualifying child, an individual who claims benefits relating to citizens or residents living abroad, a nonresident alien not treated as a U.S. resident for tax purposes.

Generally, a qualifying child must live with the eligible individual for more than one-half the taxable year in the United States, have a valid SSN issued on or before the due date of the tax return, and must be under the age of 19, unless the child is a full-time student under age 24, or the child is permanently and totally disabled. Only one person can claim a qualifying child.

The name, age, and SSN of the qualifying child must be reported on the tax return.

Child Tax Credit (CTC)

Federal law allows a CTC for the 2025 taxable year, as follows:

- \$2,200 per qualifying child
- A refundable portion up to \$1,700 per qualifying child

The credit applies if the child is the taxpayer's, son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of one of these, younger than 17 at the end of the tax year, has a valid SSN issued on or before the due date of the tax return, including extensions, and the child lives with the taxpayer for more than six months of the year and can be claimed by the taxpayer as a dependent. The credit is subject to income limits.

State Law

California Earned Income Tax Credit (CalEITC)

State law provides a refundable CalEITC that is generally determined in accordance with Internal Revenue Code (IRC) section 32, as applicable for federal income tax purposes for the taxable year, except as modified.

For the 2025 taxable year, the CalEITC is generally available to taxpayers with earned income of \$32,900 or less.

State law conforms to the federal definitions of an “eligible individual” and a “qualifying child” with the following exceptions:

- An eligible individual without a qualifying child must have a principal place of abode in “this state” (rather than the United States) for more than one-half of the taxable year, and for taxable years beginning on or after January 1, 2018, may have reached the age of 18 by the close of the taxable year (rather than have attained the age of 25 but not attained the age of 65 before the close of the taxable year).
- A qualifying child also must have a principal place of abode in “this state” (rather than the United States) for more than one-half of the taxable year.

The age requirement for a “qualifying child,” in general, is an individual that is younger than the eligible individual claiming such individual as a qualifying child and the following applies:

- has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, or
- is a student who has not attained the age of 24 as of the close of such calendar year.

With regards to an individual who is permanently and totally disabled, at any time during such calendar year, the above age requirements would be treated as met.

Young Child Tax Credit (YCTC)

Starting in 2019, a taxpayer who has been allowed the CalEITC and who has a qualifying child younger than six years old as of the last day of the taxable year may qualify for the YCTC.

For taxable years beginning on or after January 1, 2022, an individual that is otherwise eligible for the CalEITC but has no earned income, may be eligible for the YCTC. In addition, the maximum amount of the YCTC, initially set at \$1,000, is annually indexed for inflation. For the 2025 taxable year, the maximum amount of the YCTC is \$1,189. The credit amount is phased out as a qualified taxpayer’s earned income exceeds the threshold amount, initially set at \$25,000. For taxable years beginning on or after January 1, 2023, the threshold amount was indexed for inflation. For the 2025 taxable year, the YCTC is generally available to taxpayers with earned income of \$32,900 or less.

Maximum Income Thresholds

For taxable years beginning on or after January 1, 2024, the YCTC and Foster Youth Tax Credit (FYTC) are required to have the same maximum income threshold as the CalEITC.

Section 41

Legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

The bill uses the term "age increase factor" as an annual adjustment factor to determine whether a child qualifies for the YCTC. The term is defined as the number of whole calendar years that have passed between January 1, 2026, and the last day of the applicable taxable year. For clarity and to limit taxpayer confusion, the author may want to specify a qualifying child's eligible age for each taxable year from 2026 through 2037.

Technical Considerations

This bill would gradually increase the age requirement to 17 of a "qualifying child." The author may wish to consider removing "young" from the name of the credit and from the various provisions within the credit.

In Section 17052.1(i), replace "by the act adding" with "by Chapter 72 of the Statutes of 2022 adding".

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 167 (Committee on Budget & Fiscal Review, Chapter 34, Statutes of 2024) amongst other provisions, under the PITL, for taxable years beginning on or after January 1, 2024, aligned the maximum income thresholds of the YCTC and FYTC with the CalEITC. Required the FTB to calculate the graduated reduction amount in such a manner that would result in the YCTC and FYTC earned income phase out amounts to match the earned income phase out amount of the CalEITC.

SB 201 (Committee on Budget & Fiscal Review, Chapter 72, Statutes of 2022), amongst other provisions, under the PITL, for taxable years beginning on or after January 1, 2022, modified the YCTC to expand the definition of a qualified taxpayer, and provided for indexing of the YCTC as well as made other technical nonsubstantive changes.

AB 91 (Burke, et al., Chapter 39, Statutes of 2019) amongst other provisions, created the YCTC operative for taxable years beginning on or after January 1, 2019.

AB 397 (Gonzalez, et al., 2025/2026) under the PITL, would have for taxable years beginning on or after January 1, 2025, expanded eligibility for the YCTC by gradually increasing the age of a "qualifying child" to have the same age limitation as under the CalEITC for taxable years beginning on or after January 1, 2028. AB 397 did not pass out of the Assembly Appropriations Committee by the required deadline.

AB 1128 (Santiago, et al., 2023/2024) under the PITL, would have expanded the eligibility of the YCTC by changing the definition of a qualifying child to have the same meaning as under the CalEITC. AB 1128 did not pass out of the Assembly by the constitutional deadline.

AB 2977 (Jackson, 2023/2024) under the PITL, would have expanded the YCTC by increasing the earned income threshold from \$25,000 to \$50,000 and would have modified the definition of a qualifying child from younger than 6 years of age to younger than 18 years of age. AB 2977 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1690 as Introduced February 3, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue
2026-2027	-\$0
2027-2028	-\$60
2028-2029	-\$130

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.

Revenue Discussion

Based on output from the FTB’s YCTC micro-simulation model, it is estimated that changing the age limit of a qualifying child for the YCTC from under 6 years old to under 7 years old would result in an additional revenue loss of approximately \$60 million in the 2027 taxable year. With each subsequent year, the qualifying child’s minimum age would be expanded by one year until the YCTC qualifying child applies to children under age 18. This results in an estimated additional revenue loss of \$130 million in the 2028 taxable year.

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

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov