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Assembly
California Legislature
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Assembly Bill 1690: Personal Income Tax Law: young child tax credit.

SUMMARY

AB 1690 provides meaningful cash support to financially struggling families by extending the California Young Child Tax Credit (YCTC). It phases in higher age eligibility annually, ultimately extending the credit to include families with children up to age 18.

BACKGROUND

The federal Child Tax Credit (CTC) is a tax benefit that helps low- and moderate-income working families support their children ages 0 to 17. The American Rescue Plan temporarily expanded the CTC from the base rate of $2,000 to $3,600 per child for children ages 0 to 5 and to $3,000 for children ages 6 to 17. Families received half of their credit through advanced monthly payments. However, Congress failed to extend the federal CTC, and the assistance expired in 2021, sending millions of families with children back or deeper into poverty. In addition, under H.R.1, millions of families will continue to be excluded from the federal CTC because their incomes are too low, and many will become newly ineligible if at least one parent does not have a valid SSN for work.

At the state level, the Young Child Tax Credit (YCTC) currently provides up to $1,189 per household for families with a child aged five or younger, with an annual income of $32,900 or less. Unfortunately, those households with children over the age of five are not eligible for the YCTC, despite continuing to face significant child-related expenses.
The current eligibility requirements for the CalEITC include households with an earned income of $32,900 or less annually, including workers without children and families with qualifying children.

In recent years, the Legislature has considered multiple proposals to expand the Young Child Tax Credit. In 2022, AB 2589 (Santiago) proposed increasing the YCTC amount per household. In 2023, AB 1128 (Santiago) and in 2025, AB 397 (Mark González) proposed expanding YCTC eligibility to all households eligible for the CalEITC.

PROBLEM

The California Earned Income Tax Credit (CalEITC), and Young Child Tax Credit (YCTC) have demonstrated effectiveness in reducing poverty, enhancing economic security, and advancing a more prosperous and equitable state. Combined, these refundable tax credits deliver essential cash assistance to Californians earning $32,900 or less each year, benefiting nearly 8 million eligible individuals and families across the state.

With inflation driving up the cost of basic necessities, including housing, food, childcare, and utilities, nearly 7 million Californians are unable to make ends meet. Research indicates that direct cash support through tax credits helps families meet essential needs, alleviates financial stress, and fosters greater economic stability. California has an opportunity to expand on these successful programs to better assist families burdened by rising expenses, particularly amid significant reductions to federal health care and food assistance.

At present, families with children under age six are eligible to receive an additional $1,189 through the YCTC. However, families with children older than five are excluded from this benefit, even though child-related expenses persist as children age. Ongoing increases in the costs of food, transportation, school supplies, and childcare leave many families without access to this essential source of financial support.

SOLUTION

AB 1690 seeks to close this gap by eliminating the five-year age cap from YCTC eligibility and expanding access to all CalEITC-eligible families. The bill aims to increase the dependent age eligibility by 1 year each year until all families with dependents under 18 years of age qualify. By updating the credit to reflect the ongoing costs of raising children, AB 1690 offers a clear pathway to enhanced financial stability for families throughout California.

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