

AB 1942 (Santiago)

Earned Income Tax Credit

Bill Summary

AB 1942 will increase access to the California Earned Income Tax Credit (CalEITC) by revising the current CA 540 tax form to include the separate EITC application.

Existing Law

Personal Income Tax Law allows an earned income credit against personal income tax, and a payment in excess of that credit amount, to an eligible individual that is equal to that portion of the EITC allowed by federal law as determined by the EITC adjustment factor as set forth in the annual Budget Act which, unless otherwise specified in that act, is 0% (RTC § 17001 – 18181).

Earned Income Tax Credit Information Act requires state departments and agencies that serve those who may qualify for the federal EITC and the CalEITC to notify their program recipients that they may be eligible for the federal EITC and the CalEITC, as provided (RTC § 19851-19854).

Existing law defines “state departments and agencies that serve those who may qualify for the federal EITC and the CalEITC” to mean certain programs in the State Department of Education, the Employment Development Department, and the State Department of Health Care Services (RTC § 19851-19854).

Background

The California Income Tax Credit, as implemented in 2016, was created for low income families and individuals. The tax credit boosts the earnings for low income households and decreases poverty levels across the state while incentivizing individuals to file their taxes. The CalEITC gives cash refunds to part-

time and full-time working individuals and families. Since its implementation, the state has added \$200 million to local economies and alleviated the affects poverty. In comparison to the federal EITC, CalEITC has boosted the total tax credit amounts received by 3%.

Need for AB 1942

It is estimated that about 1.7 Californians are currently eligible to receive a CalEITC return. With the current filing process and outreach efforts in place, roughly \$2 billion in EITC funds remain unclaimed each year. Over 50,000 eligible working people filed state taxes last year and failed to claim the credit. Simplifying the application process while simultaneously increasing awareness, this bill will help close the gap between the number of Californians who qualify for the CalEITC and those who are actually receiving it.

What the Bill Does

Specifically, AB 1942 would revise the CA 540 tax form to include all of the information necessary for a taxpayer to claim CalEITC. This bill would also expand the definition of “state departments and agencies that serve those who may qualify for the federal EITC and the California EITC” to include the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

Support

None on file.

Opposition

None on file.

For More Information

Gabriela Castillo

Assemblymember Miguel Santiago, AD53

916-319-2053 | Gabriela.Castillo@asm.ca.gov