

# AB 2066 (Stone/Reyes): Extend the CalEITC to Fight Poverty

## SUMMARY

This bill extends eligibility for the existing California Earned Income Tax Credit (CalEITC) to some of the poorest, neediest Californians. It includes all working Californians who file taxes yet are currently excluded from the federal and state EITCs.

## BACKGROUND & CURRENT LAW

In its report on the Supplemental Poverty Measure for 2016, the US Census Bureau reported California's poverty rate at 20.4%, the highest rate among all 50 states.

The federal EITC is a long-running refundable tax credit targeted at low- to middle-income working households. Researchers cite the federal EITC as among the most effective tools for reducing poverty across the nation. Unfortunately, the federal EITC does not reach all low-income workers.

The CalEITC, enacted in 2015, covers some employed or self-employed workers and households with incomes up to \$22,300 per year. Eligible working families with children can receive a credit of up to \$2,775. The CalEITC helps mitigate California's high cost of living for people who live in poverty. But since the CalEITC is available only to those who are already eligible for the federal EITC, it fails to reach all of California's poorest workers and their families who file their tax returns.

## SOLUTION

California needs to take bold steps to reduce the poverty rate of all working families and improve the economic outlook of its impoverished communities. In order to improve the effectiveness of the CalEITC and help all California working families in poverty, AB 2066 extends eligibility to three categories of workers for the following reasons:

### **Low-income working young adults ages 18-24:**

Currently, working young adults under age 25 who do not have qualifying dependent children are not eligible for the CalEITC. The age limit leaves out young

adults who lack financial security early in their careers, working students, and former foster youth. Young adults ages 18 to 24 experience poverty at higher rates than any other adult age group.

**Low-income working seniors over 65:** Currently, working seniors over the age of 65 without qualifying dependent children or grandchildren are not eligible for the CalEITC. The age limit prevents seniors struggling to make ends meet from benefiting from the credit. The age of full retirement for Social Security benefits is being raised to 67 by 2027. Maximum Social Security benefits don't start till age 70, and many low-income workers do not receive Social Security that is sufficient to keep them out of poverty.

### **Low-income working immigrant families with**

### **Individual Taxpayer Identification Numbers (ITINs):**

Many immigrant working families are excluded or receive reduced CalEITC amounts because credit is granted only to those persons in the household who have a Social Security Number valid for work. Many of these families use an IRS-issued Individual Taxpayer Identification Numbers (ITIN) to pay federal and state income taxes and file their tax returns. Due to recent federal actions, Californians who lose immigration relief such as Deferred Action for Childhood Arrivals (DACA) or Temporary Protected Status (TPS) will no longer qualify for the federal EITC, even though they file taxes with their assigned Social Security Number (SSN). California is not bound by federal EITC rules for its state-funded tax credit and can improve the state design for a more equitable and inclusive policy.

## SUPPORT

- United Ways of California (SPONSOR)
- Golden State Opportunity Foundation (SPONSOR)
- California Immigrant Policy Center (SPONSOR)
- Children's Defense Fund (SPONSOR)
- **NO OPPOSITION**

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