

Date of Hearing: April 19, 2021

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Autumn R. Burke, Chairwoman

AB 1515 (Santiago) – As Amended April 12, 2021

Majority vote. Fiscal committee.

SUBJECT: Earned Income Tax Credit Outreach and Education and Free Tax Assistance Grant Program

SUMMARY: Establishes the Earned Income Tax Credit (EITC) Outreach and Education and Free Tax Assistance Grant Program (Program). Specifically, **this bill:**

- 1) Includes findings and declarations.
- 2) Requires the Franchise Tax Board (FTB), upon appropriation by the Legislature, to issue grants through the Program to qualified nonprofit community-based organizations (CBOs) or local government agencies.
- 3) Requires grants be issued to expand awareness of ITIN status eligibility and to increase the number of eligible households claiming the state and federal EITC, the Golden State Stimulus (GSS), and other relevant tax credits and stimulus payments.
- 4) Requires FTB to equally allocate grant moneys for the following purposes:
 - a) Providing timely distribution of funds for state and federal EITC, the GSS, and other relevant tax credits and stimulus payments and ITIN eligibility;
 - b) To existing California EITC outreach contracts;
 - c) To existing Volunteer Income Tax Assistance (VITA) clinic contracts;
 - d) Focus funding in regions of the state with low participation in the state EITC relative to the estimated eligible population in that area;
 - e) Focus funding in regions of the state with estimated high percentages of ITIN filers and ITIN eligible workers who do not have a current ITIN status;
 - f) Emphasize collaboration of grantees with other CBOs and local government agencies; and,
 - g) Encourage targeting of specific underserved communities, as specified.
- 5) Establishes the EITC Outreach and Education and Free Tax Assistance Grant Fund in the State Treasury for the purposes of allocating grants pursuant to the above provisions, upon appropriation by the Legislature.

- 6) Specifies that grants awarded pursuant to the Program be at the sole discretion of the Executive Officer of the FTB.
- 7) Authorizes FTB to adopt regulations and to partner with the Department of Community Services and Development to execute the Program.
- 8) Requires grant contracts allocated pursuant to the Program to be effective for 12 months to ensure continuity of services and exempts the awarding of grants from the State Contract Act.
- 9) Requires FTB to submit an annual report to the Legislature regarding the effectiveness of the Program.

EXISTING FEDERAL LAW authorizes a refundable EITC to eligible individuals (26 U.S. Code § 32).

EXISTING STATE LAW:

- 1) Authorizes, with certain modifications, a refundable California Earned Income Tax Credit (CalEITC) based on the federal EITC (Revenue and Taxation Code (R&TC) Section 17052).
- 2) Requires the State Controller to issue, for the 2020 taxable year, a one-time GSS tax refund payment to qualified recipients (Welfare and Institutions Code Section 8150).

FISCAL EFFECT: Pending

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

Over the course of the last year, the COVID-19 pandemic has had devastating health and economic impacts on our most vulnerable communities, including our low-income and undocumented Californians. However, systemic inequities have existed for many years prior to the pandemic. These vulnerable communities have continuously faced great barriers that have contributed to cycles of poverty, such as unequal access to education, employment, and housing. To provide critical assistance to these Californians, AB 1515 will ensure the state provides adequate assistance and education so that those eligible for tax credits are able to file and receive lifesaving financial assistance. By creating a grant program for local government agencies or qualified non-profits to provide tax filing assistance and education on available tax credits, California can increase the number of those filing for tax credits and ITINs, thus increasing the number of Californians eligible for the Golden State Stimulus, the CalEITC and the Young Child Tax Credit.

- 2) This bill is sponsored by United Way of California, which notes:

The CalEITC is one of California's best tools to help alleviate poverty, stimulate local economies and businesses, and act as a frontline defense against the deepest risks of economic downturn - risks our state is very much going to be managing for some time as we recover from the COVID-19 pandemic. Research shows that lower-income households who receive tax credits put that money immediately back into the local and state economy, with studies showing that each additional \$1 in EITC refunds generates

between \$1.58 and \$2 in local economic activity - a major boon for California's recovery efforts. But to achieve this economic boost, currently and newly eligible households must successfully file their taxes. Outreach and Education along with Free Tax Preparation Assistance/VITA as outlined in AB 1515, therefore, becomes an even more pressing resource, both for households grappling with a rapidly changing economic reality and in order to fuel our state's short and long-term recovery.

Additionally, California has one of the highest number of undocumented workers in the country. Over 2 million undocumented immigrants in the state collectively pay \$3.2 billion in local and state taxes while accounting for 10% of the state's workforce. Despite their contributions, these workers have largely been omitted from economic relief. Given recent expansions, many undocumented California workers are newly eligible for the CalEITC, Young Child Tax Credit, and GSS. However, these individuals must have an ITIN to apply. It is estimated that as many as 1,300,000 individuals may qualify for an ITIN. It is imperative that California provide the necessary outreach, education, and assistance so that all those who are eligible for these tax credit programs may take advantage of the state sponsored economic relief.

- 3) *Committee Staff Comments:* California began offering its own CalEITC beginning with 2015 tax returns. In the 2016 budget year, and each subsequent budget year, the Legislature has allocated between \$2 million and \$5 million to maximize participation in the CalEITC by increasing awareness. This year, the Legislature has allocated \$5.1 million to existing CalEITC outreach contracts to raise awareness of the GSS. There is an additional \$5 million proposed in the Budget Act allocated to existing CalEITC outreach contracts for the purpose of raising awareness of the CalEITC. Upon appropriation by the Legislature, this bill would codify, with additional requirements, outreach efforts approved annually by the Legislature.

This bill requires FTB to equally allocate grant funding for seven specific purposes. These purposes have not been required in previous allocations for CalEITC outreach. If the author's intent is to maximize the number of eligible taxpayers claiming the credit and increase awareness regarding ITIN status and eligibility, the author and Committee may wish to provide FTB with greater discretion in administering grant funds.

Current law authorizes a one-time GSS payment to eligible individuals. To be eligible, individuals must file an income tax return for the 2020 taxable year on or before October 15, 2021, among other requirements. Therefore, this bill would take effect after the filing deadline for an individual to be eligible for the GSS. Given the one-time nature of the GSS and existing funds allocated to raise awareness on the GSS, the author and Committee may wish to remove references to the GSS.

This bill, as currently drafted, directs FTB to increase households claiming other relevant tax credits and stimulus payments, in addition to the specified credit and stimulus. This phrase is vague and the terms within undefined, potentially complicating implementation by FTB. The author and Committee may wish to specify the additional credits and payments required to be included in the Program.

REGISTERED SUPPORT / OPPOSITION:

Support

United Way of California (Sponsor)
California Association of Food Banks
Friends Committee on Legislation of California
Golden State Opportunity
Inland Coalition for Immigrant Justice
Inland Empire Immigrant Youth Collective
Latino Community Foundation
Nourish California
Orange County Communities Organized for Responsible Development
Working Partnerships USA
Young Invincibles

Opposition

None on file

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