

Date of Hearing: May 5, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1515 (Santiago) – As Amended April 26, 2021

Policy Committee: Revenue and Taxation Vote: 9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

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

- 1) Requires the Franchise Tax Board (FTB), upon appropriation by the Legislature, to allocate grants to qualified non-profit community-based organizations (CBOs) or local government agencies, for purposes of increasing the number of eligible households claiming the federal EITC, state EITC (CalEITC), the Golden State Stimulus and the Young Child Tax Credit, and increasing awareness of Individual Taxpayer Identification Number (ITIN) tax status eligibility. This bill requires the FTB to submit an annual report to the Legislature, beginning January 1, 2023, regarding the effectiveness of the Program.
- 2) Establishes the Program fund in the State Treasury and authorizes the FTB to administratively partner with the Department of Community Services and Development (CSD) to administer the Program.

FISCAL EFFECT:

- 1) Cost pressure of an unknown amount for the Legislature to appropriate money to the FTB to allocate grants. The author is supporting a FY 2021-22 budget request of \$30 million for this purpose.
- 2) The FTB would incur costs to administer and report on the Program, although the FTB does not have a cost estimate of needed resources at this time. CSD estimates substantive costs if chosen to by the FTB to help administer the Program. CSD currently administers CalEITC outreach contracts through an interagency agreement with FTB, but the scope of this bill is much broader than CalEITC outreach alone

COMMENTS:

- 1) **Purpose.** According to the author, the COVID-19 pandemic has devastated California's most vulnerable communities, including low-income and undocumented Californians, who have always faced systemic inequities, contributing to cycles of poverty. The author asserts AB 1515 provides critical assistance to these Californians by helping taxpayers file for tax credits and ITINs, thus increasing the number of Californians eligible for the federal EITC, CalEITC, Golden State Stimulus and the Young Child Tax Credit.

- 2) **CalEITC Expansion.** The federal EITC is one of the most effective anti-poverty programs in America, putting money back in the pockets of low-income working families who file a tax return. California began offering its own CalEITC program in 2016. The Budget Act of 2019 significantly expanded the CalEITC, more than doubling spending on the existing credit from \$400 million to \$1 billion and raising the number of households receiving the credit to three million. The 2019 budget act also enacted Young Child Tax Credit, an additional \$1,000 credit for every family who qualifies for the CalEITC and has at least one child age five or under. The Budget Act of 2020 subsequently extended the CalEITC to undocumented taxpayers who file using an ITIN. In response to the COVID-19 pandemic, early FY 2021-22 budget action created the Golden State Stimulus program, providing an additional \$600 tax rebate for all CalEITC recipients for the 2020 tax year, another \$600 tax rebate for all ITIN filers with income up to \$75,000 and additional \$600 grants for families enrolled in specified social services programs.
- 3) **Outreach Efforts.** An April 2017 report by the California Budget and Policy Center found that less than one in five visitors to county human services offices who were likely eligible for the CalEITC had heard of it. Furthermore, only half of respondents who were likely eligible filed taxes that year, and most respondents who filed taxes paid a tax preparer despite qualifying for free tax assistance.

Since the enactment of the CalEITC, the state budget has allocated between \$2 million and \$5 million each year to maximize awareness of this benefit amongst eligible hard-to-reach taxpayers. As part of this year's early budget action, the Legislature allocated \$5.1 million to existing CalEITC outreach contracts to raise awareness of the GSS, and the Governor has proposed \$5 million for continued CalEITC outreach for FY 2020-21. AB 1515 codifies, and prescribes in greater detail, CalEITC outreach grant program efforts, upon appropriation by the Legislature. In addition to continuing existing outreach contracts, this bill focuses funding on regions in the state with low CalEITC participation rates and high percentages of ITIN filers and ITIN eligible workers who do not have ITINs. The author notes that there are 1.5 million undocumented Californians who do not currently have ITINs due to fears of deportation and simply not being aware that this tax filing status exists.

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