
THIRD READING

Bill No: AB 1515
Author: Santiago (D)
Amended: 8/1/22 in Senate
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 6/29/22
AYES: Caballero, Nielsen, Durazo, Hertzberg, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 69-0, 6/1/21 - See last page for vote

SUBJECT: Outreach, Education, and Free Tax Assistance Grant Program

SOURCE: Author

DIGEST: This bill specifies allocations of Earned Income Tax Credit and Volunteer Income Tax Assistance education and outreach grants.

ANALYSIS:

Existing law:

- 1) Allows various income tax credits, deductions, exemptions, and exclusions.
- 2) Allows individuals with income below a certain threshold to not file a tax return for state purposes when the value of the standard deduction and personal exemption credit exceed the taxpayer's liability. For 2021, these thresholds are \$19,310 in California gross income for single taxpayers (under 65 years of age with no dependents) and \$38,624 in California gross income for married individuals filing jointly (under 65 years of age with no dependents). These thresholds are increased based on the number of dependents claimed, or if the taxpayer(s) are over the age of 65, and increased annually for inflation.

- 3) Allows a refundable California EITC (CalEITC) in an amount equal to a modified percentage, called an adjustment factor, of the federal EITC.
- 4) Specifies that the CalEITC is only operative for taxable years for which the Legislature authorizes resources in the annual Budget Act for the Franchise Tax Board (FTB) to oversee and audit returns associated with the credit. The Legislature also must establish the CalEITC adjustment factor for each taxable year; otherwise the CalEITC adjustment factor defaults to zero.
- 5) Stipulates that to qualify for the CalEITC a taxpayer must have earned income in the 2021 taxable year of at least \$1 and below \$30,000 regardless, of your filing status or number of qualifying children.
 - a) The 2021 maximum CalEITC for taxpayers is as follows:
 - i) \$3,160 with three or more qualifying children.
 - ii) \$2,809 with two qualifying children.
 - iii) \$1,698 with one qualifying child.
 - iv) \$255 with no qualifying children.
- 6) Enacts the Young Child Tax Credit (YCTC), which allows taxpayers to claim a refundable credit for each child under the age of 6, and defines an eligible individual as one who has a qualified child and would have received the EITC, but has earned income of zero dollars or less in the taxable year.
- 7) Allows a refundable foster youth tax credit of \$1,000 per eligible individual against the personal income tax, as specified:
 - a) Eligible individuals:
 - i) Were in foster care placement, as specified in the bill, while 13 years of age or older.
 - ii) Is between the ages of 18 to 25.
 - iii) Is eligible to claim the earned income tax credit (EITC) in the taxable year of the credit.

This bill:

- 1) Requires FTB to issue grants that cover at least a 12-month period to qualified nonprofit community-based organizations (CBOs) or local government agencies with the goal of increasing awareness of the state and federal EITC, the YCTC, Foster Youth Tax Credit, and of Individual Tax Identification Number (ITIN) tax status eligibility, upon appropriation by the Legislature.
- 2) Specifies that FTB may contract or partner with Department of Community Services and Development (DCSD) as it deems necessary.
- 3) Requires the FTB to prioritize funding for the following purposes:
 - a) To provide timely distribution of funds for the state and federal EITC, YCTC and the Foster Youth Tax Credit and for awareness of ITIN eligibility.
 - b) To CBOs with demonstrated experience in outreach or free tax preparation.
 - c) To organizations with prior experience with the Volunteer Income Tax Assistance (VITA) program to provide free tax preparation assistance and ITIN application assistance.
 - d) To focus funding in regions of the state with low participation in the Cal EITC.
 - e) To focus funding in regions of the state with high estimated percentages of ITIN filers.
 - f) To emphasize collaboration of grantees with other CBOs and local government agencies.
 - g) To encourage targeting of specific underserved communities, particularly those that experience barriers to taking advantage of the credit, with a focus on extremely low income households, likely ITIN eligible workers, populations with limited English proficiency, rural communities, current and former foster youth, and other hard-to-reach populations.
- 4) Requires FTB to submit a report to the Legislature on the effectiveness of the program on or after January 1, 2024, and annually thereafter.

- 5) Requires FTB, in consultation with DCSD and grantees, to develop metrics to analyze the effectiveness of the program.
- 6) 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.

Background

Federal ITIN. The Internal Revenue Service (IRS) generally issues Federal Individual Tax Identification Numbers (ITINs) for tax administration purposes for certain nonresident and resident aliens (a term in federal law that refers someone that is not a US citizen but resides in the US), their spouses, and dependents who are not eligible to receive an SSN. To obtain a federal ITIN, an individual must file IRS Form W-7, *Application for ITIN* and provide specified documentation including a copy of an original tax return, original documents that show that the information included on the form is the same and demonstrates and connection to a country, and a valid form of identification.

VITA. In addition to the simplified tax filing portal, FTB and IRS offer a free program known as Volunteer Income Tax Assistance (VITA) to help individuals with their tax filing obligations. This program is run by volunteers who complete training with the FTB and IRS to learn to prepare basic returns for their community members. To qualify for VITA services, individuals must meet any of these qualifications:

- Make less than \$58,000 (generally)¹;
- Have disabilities;
- Speak limited English; or
- Are active duty or retired military personnel, or a dependent.

Education and Outreach. Since California began authorizing a state EITC, the Legislature has allocated between \$2 million and \$5 million, annually, to maximize participation in the CalEITC by increasing awareness. This year, the proposed Budget Act earmarked \$20 million to raise awareness of CalEITC and VITA, and specified that the funds shall be allocated via contracts to nonprofit and community-based organizations and that those organizations shall particularly focus their outreach efforts on persons who file tax returns using an ITIN. Currently, FTB works with the Department of Community Services and

¹ Each VITA program can set specific income limitations

Development (DCSD) to award the grants to non-profits that apply. Reporting and metrics measurements are required to be reported by the grantees under state contracting law.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/9/22)

None received

OPPOSITION: (Verified 8/9/22)

None received

ARGUMENTS IN SUPPORT: According to the author, “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.

“One of these systemic inequalities is the inequitable access to free tax assistance. Only 1 in 100 Californians who received the California Earned Income Tax Credit in the tax year 2020 used a free service to file their taxes. That means 99 out of those 100 used a paid service when they were *all* eligible for free services, such as in-person or online Volunteer Income Tax Assistance, My Free Tax, Cal-File, and others. The majority of those low-income Californians went to a paid-preparer, costing them several hundred dollars each.

“To provide critical assistance to these Californians, AB 1515 will ensure the state provides adequate tax 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 community based organizations to provide free tax filing assistance and education on available tax credits, California can increase the number of those filing for tax credits and Individual Tax Identification Numbers, thus increasing the number of Californians eligible for the California Earned Income Tax Credit and the Young Child Tax Credit.”

ASSEMBLY FLOOR: 69-0, 6/1/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chiu, Choi, Cooley, Cooper, Cunningham, Daly, Flora, Fong, Frazier, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NO VOTE RECORDED: Bigelow, Chen, Megan Dahle, Davies, Gallagher, Kiley, Nguyen, Patterson, Seyarto, Smith

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