

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 1690 (Ahrens) – As Amended April 13, 2026

SUSPENSE

2/3 vote. Fiscal committee.

SUBJECT: Personal Income Tax Law: young child tax credit

SUMMARY: Expands the number of taxpayers eligible for the California Young Child Tax Credit (YCTC) by gradually modifying the definition of "qualifying child" to include children over the age of five, as specified. Specifically, **this bill**:

- 1) Provides that the term "qualifying child", for purposes of the YCTC, means the following:
 - a) For taxable years beginning on or after January 1, 2026, and before January 1, 2038, younger than the age limit from the prior taxable year plus one year as of the last day of the taxable year; and,
 - b) For taxable years beginning on or after January 1, 2038, less than 18 years of age as of the last day of the taxable year.
- 2) Finds and declares that, for purposes of satisfying the requirements of Revenue and Taxation Code (R&TC) Section 41, the purpose of this bill is to reduce poverty among California's poorest working families and children.
- 3) Requires the Franchise Tax Board (FTB) to separately state in its annual written report to the Legislature on the YCTC all of the following:
 - a) The number of tax returns claiming the expanded credit;
 - b) The number of qualifying children under the expanded credit;
 - c) The average credit amount on tax returns claiming the credit, and;
 - d) An estimate of the three data points listed above if the requirements for the credit had not been expanded.

EXISTING FEDERAL LAW:

- 1) Allows a refundable Earned Income Tax Credit (EITC) for certain low-income individuals who have earned income and meet certain requirements. (Internal Revenue Code (IRC) Section 32.)
 - a) Defines a "qualifying child" as an individual who satisfies all of the following:

- i) Is a child of the taxpayer or a descendant of such a child, or a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative;
 - ii) Has the same principal place of abode as the taxpayer for more than one-half of such taxable year;
 - iii) Has not attained the age of 19 at the close of the calendar year or is a student who has not attained the age of 24 as of the close of such calendar year; and,
 - iv) Has not provided over one-half of such individual's own support for the calendar year in which the taxable year of the taxpayer begins.
- b) Provides that the age requirements for a "qualifying child" are waived for individuals who are permanently and totally disabled. (IRC Section 32(c)(3).)
- c) Requires a valid social security number (SSN) for the taxpayer, the taxpayer's spouse if filing jointly, and any dependents claimed. Taxpayers and dependents filing using an individual taxpayer identification number (ITIN) are not eligible for the EITC. (IRC Section 32(m).)

EXISTING STATE LAW:

- 1) Allows, for each taxable year beginning on or after January 1, 2015, in modified conformity with federal law, a CalEITC against the Personal Income Tax (PIT). The CalEITC is a refundable credit based on the taxpayer's amount of federal EITC multiplied by California's "adjustment factor." The adjustment factor equals zero unless otherwise specified in the Budget Act. Additionally, the CalEITC is only operative for taxable years when the Budget Act authorizes resources for the FTB to oversee and audit returns associated with the credit. (R&TC Section 17052.)
- 2) Provides, for each taxable year beginning on or after January 1, 2019, the YCTC under the PIT. To qualify for the credit, a taxpayer must have a child under the age of 6 at the end of the taxable year and the taxpayer must have been allowed a CalEITC. The credit may be allowed up to \$1,176, multiplied by the annual adjustment factor, and reduced by \$20 for each \$100 (or fraction thereof) that the taxpayer's income exceeds \$25,000. (R&TC Section 17052.1.)

FISCAL EFFECT: The FTB estimates General Fund revenue losses of \$60 million in fiscal year (FY) 2027-28 and \$130 million in FY 2028-29.

COMMENTS:

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

With the impact of H.R. 1, it is more important than ever to ensure that the most vulnerable of California's young families are supported through the rising cost-of-living crisis. Reports show that with the slashing of funding from the federal government, Californians who had come to rely on support from the federal government have once again been put in precarious economic positions, if not pushed needlessly back into poverty.

Studies show that for every dollar spent on tax credits and cash payments for families in need, returns are greater than a dollar to the local economy. With greater financial support for young families, California's children would receive more support in all aspects of life, from education and healthcare to social outcomes. Outside individual families, local economies would also receive benefits across California. For every dollar received in cash or credits from tax programs, Californians spend more than a dollar in their local economies. The extension of the Young Child Tax Credit from children under six to children under 18 over the next 12 years would ensure better outcomes not just for individual children and families, but for California as a whole.

2) This bill is sponsored by the Prosper California Coalition, which notes, in part:

According to the Real Cost Measure study by United Way of California, 1 in 3 California households do not earn enough income to afford basic necessities – a statistic that has barely moved over the last decade since this study started. State investments like the Young Child Tax Credit are the most targeted and effective means to reduce poverty, and improve lifelong results for children and families.

Currently, the YCTC is only available to families with a child under six years old, despite the fact that the financial challenges of raising a child extend well beyond early childhood. Families earning between \$0 and \$32,900 annually can receive up to \$1,189 through the YCTC, but those with children over the age of five are ineligible for the YCTC. In total, this means that nearly two-thirds (62%) of families who qualify for the CalEITC are not eligible for the YCTC, creating an unintended "cliff effect" for families who lose the YCTC when they no longer have children 0-5. Expanding access to this critical credit would help struggling households cover basic necessities – 91% of low-income families rely on these funds for food, clothing, housing, utilities, and education.

3) This bill is supported by the United Way of California, which notes, in part:

In the wake of H.R. 1's passage, many of California's lowest-income families will miss out on the full federal Child Tax Credit (CTC). Now, to receive the federal CTC, at least one parent must have a Social Security Number (SSN), and H.R. 1 will exclude even more of the lowest-income families from qualifying for the full federal credit. The CTC will provide just \$2,200 per child ages 0 to 16, but families with the lowest incomes – generally under \$30,000 – do not get the full credit and those with extremely low incomes have lost access to the credit entirely. Expanding the YCTC to all CalEITC-eligible families is an effective state investment targeted to reduce the inequity that the federal CTC creates. AB 1690 is a crucial step in addressing California's affordability crisis and ensuring families have the support they need.

4) Committee Staff Comments:

- a) *What does this bill do?* This bill gradually increases the age cap for the YCTC by raising the age of a qualifying child each year until 2038, increasing to 6 years old for the 2026 taxable year, 7 years old for the 2027 taxable year, and so on. For the 2038 taxable year onwards, this bill replaces the definition of "qualifying child" for the YCTC with the same definition that is used for purposes of the CalEITC. In other words, if a taxpayer

receives additional amounts under the CalEITC because they claim one or more qualifying children on their tax return, this bill would also allow that taxpayer an additional credit under the YCTC for the 2038 taxable years onward.

- b) *Who benefits from this bill?* This bill would primarily benefit qualified low-income taxpayers with at least one child over the age of five. By gradually increasing the age limit for qualifying children, this bill would increase the availability of this credit to more taxpayers over several years. Additionally, this bill would ensure that individuals who previously claimed the YCTC but whose child or children are now older than the cutoff age could continue to receive the credit.
- c) *Background on the EITC and CalEITC:* The federal government created the anti-poverty EITC program in 1975 for both adults and children in lower income working families. The program's primary purpose is to lift people out of poverty and encourage labor market participation by providing additional tax benefits for those who earn wages or compensation from employment or entrepreneur business operations. California created its own CalEITC at the state level in 2015. The EITCs, unlike other anti-poverty programs, are administered through the tax system and require the filing of a tax return with the federal government and California to claim the credits.

To qualify for the CalEITC, taxpayers must:

- i) Have taxable earned income, which are W-2 wages, self-employment income, and other types of income with California withholdings;
 - ii) Have a valid SSN or ITIN for all eligible persons;
 - iii) Live in California for more than half the year; and,
 - iv) Not use married/registered domestic partner (RDP) if filing separately unless an exception applies.
- d) *California's YCTC:* Beginning in 2019, California started providing the refundable YCTC for taxpayers who qualified for the CalEITC and claimed at least one qualifying dependent that was less than six years old as of the last day of the taxable year. The amount of the YCTC is equal to \$1,176, multiplied by the earned income tax credit adjustment factor specified for the CalEITC. The maximum credit is limited to \$1,000 per taxable year. The credit amount is reduced by \$20 for every \$100 by which the qualified taxpayer's earned income exceeds the threshold amount, initially set at \$25,000.

For the 2025 taxable year, taxpayers qualified for and received a CalEITC and YCTC amount based on the chart on the following page:

Number of qualifying children	CalEITC, YCTC, FYTC max income	CalEITC max credit	YCTC max credit	FYTC max credit*	Federal EITC max credit**
	(up to)	(up to)	(up to)	(up to)	(up to)
None	\$32,900	\$302	\$1,189	\$ 0	\$649
1	\$32,900	\$2,016	\$1,189	\$1,189	\$4,328
2	\$32,900	\$3,339	\$1,189	\$1,189	\$7,152
3 or more	\$32,900	\$3,756	\$1,189	\$1,189	\$8,046

Tax year 2025 maximum income and credit amounts for CalEITC and related tax credits

*FYTC, unlike the other credits above, is awarded per qualifying taxpayer. The credit would be up to \$2,378 if both primary taxpayer and spouse/RDP qualify.¹

Source: FTB.¹

- e) *ITIN filers*: Unlike the Federal EITC, which is only available to taxpayers with a SSN, California has allowed taxpayers who file using an ITIN to claim the CalEITC and YCTC since 2021. An ITIN is a tax processing number issued by the Internal Revenue Service (IRS) that is issued regardless of immigration status because both citizens and noncitizens may have a tax filing or reporting requirement under the IRC. While an ITIN does not authorize an individual to work in the U.S. or provide eligibility for Social Security benefits, it allows individuals to report their earnings to the IRS, open interest-bearing bank accounts with certain banks, and conduct business in the U.S. This filing option increases overall revenues and enables noncitizens to prove that they are paying the taxes they owe, which can be an important criterion when applying for U.S. citizenship.

ITIN information is partially protected by IRC Section 6103, which generally prohibits the IRS from disclosing taxpayer information, including to other federal agencies. However, there are important exceptions to this rule. In general, the IRS is required to disclose taxpayer information to state agencies responsible for tax administration, to powers of attorney and other designees, and to law enforcement agencies for investigation and prosecution of non-tax criminal laws.² Historically, the IRS has been very invested in maintaining the confidentiality of its information because doing so promotes confidence in the tax system, which prioritizes voluntary compliance.

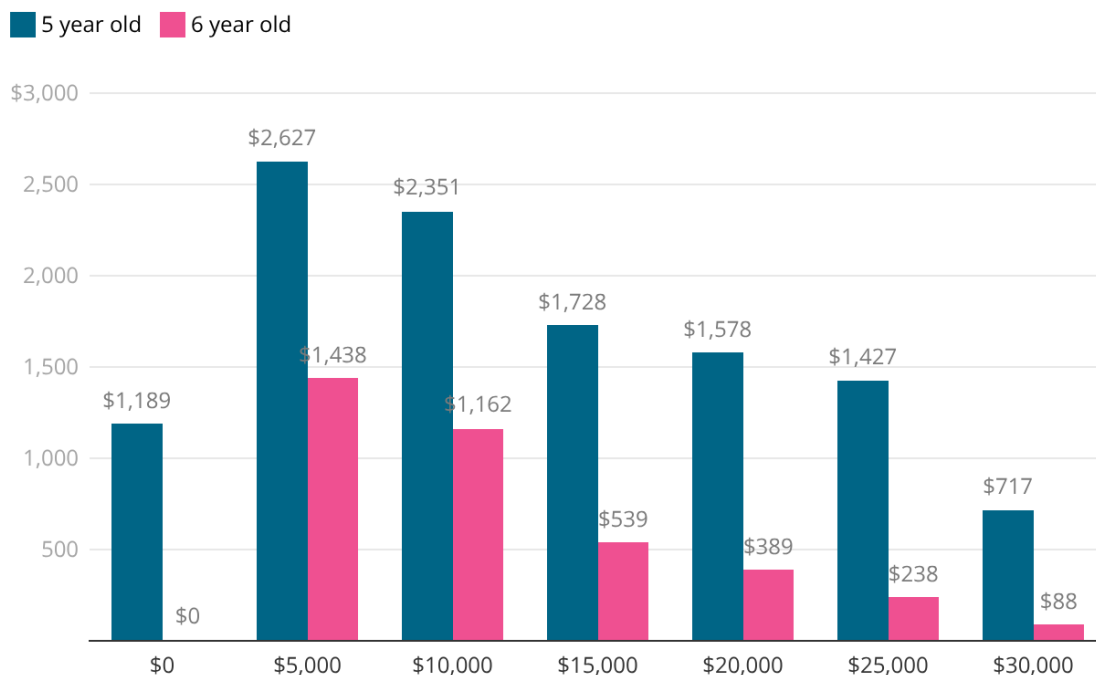
¹ *California Earned Income Tax Credit and Young Child Tax Credit (2025)*, Franchise Tax Board. <https://www.ftb.ca.gov/file/personal/credits/california-earned-income-tax-credit.html>.

² *Disclosure laws*, Internal Revenue Service. <https://www.irs.gov/government-entities/federal-state-local-governments/disclosure-laws>.

- f) *Tax and benefit "cliffs"*: A tax (or benefit) "cliff" describes how a small change can trigger a substantial increase in one's corresponding tax bill (or decrease in benefits received). Personal income taxes, both state and federal, increase gradually as a proportion of income; even if your income increases to the point that you enter a new tax bracket, only the income that falls into the bracket is taxed at a higher rate. However, if your income increases above the specified limit for certain credits or deductions, you may become ineligible for the entire credit or deduction. This can create a "cliff" where a small change in income can result in a significant increase in the amount of tax owed. To avoid this, many credits, including the EITC, include "phase-out" provisions that reduce the credit amount as taxpayers approach the income limit.

Besides income limitations, other criteria can create similar "cliffs" where individuals or families become ineligible for certain benefits that they had been receiving. Proponents argue that the YCTC's age restrictions create sizable "cliffs", as shown in the chart below:

Amount of Money a Parent with 1 Child Qualifies for from the CalEITC and Young Child Tax Credit by Annual Earnings, Tax Year 2025



Note: The maximum credit for the YCTC is \$1,189.

Source: Budget Center analysis of Franchise Tax Board data



- g) *2021 expansion of federal credits*: The American Rescue Plan (ARP), signed into law by President Biden in March 2021, significantly expanded tax credits that benefitted many lower income and middle-income filers, including the Federal EITC and the CTC. The ARP made two significant changes to the EITC for 2021 only: (i) it increased the credit amounts available to childless workers, and (ii) it broadened the age range for eligible filers from 24 to 65 years old to 19 and over.

In addition to the EITC expansion, the ARP also significantly expanded the CTC for 2021 only: for single filers with income of up to \$75,000 (\$112,500 for heads of household, \$150,000 for joint filers), the maximum credit rose to \$3,600 for dependents from ages 0 to 5 and \$3,000 for dependents ages 6 to 17. The increased benefit amount phased out up to an income of \$95,000 (\$132,500 for heads of household, \$170,000 for joint filers). For 2021 only, the credit amount was fully refundable for all eligible filers regardless of their earned income amounts. The ARP also directed the IRS to pay one-twelfth of eligible filers' credit amounts each month from July to December 2021.

- h) *Challenges with uptake:* Some individuals in poverty with children who could benefit from the CalEITC and YCTC do not actually receive these benefits even though they are eligible. One significant barrier is that individuals must actually file their income taxes to claim these benefits. Some low-income people – and families in particular – do not earn enough on an annual basis to trigger an income tax filing requirement, meaning they are not required to file a state income tax return at all. The threshold for filing a California tax return varies by filing status, age, number of dependents, and gross income:

Age as of December 31, 2025*	0 dependents	1 dependent	2 or more dependents
Under 65	\$22,941	\$38,774	\$50,649
65 or older	\$30,591	\$42,466	\$51,966

Single or head of household

Age as of December 31, 2025*	0 dependents	1 dependent	2 or more dependents
Both are under 65	\$45,887	\$61,720	\$73,595
One spouse/RDP is 65 or older	\$53,537	\$65,412	\$74,912
Both are 65 or older	\$61,187	\$73,062	\$92,562

Married/RDP filing jointly or separately

Age as of December 31, 2025*	0 dependents	1 dependent	2 or more dependents
Under 65	N/A	\$38,774	\$50,649
65 or older	N/A	\$42,466	\$51,966

Qualifying surviving spouse/RDP

* If your 65th birthday is on January 1, 2026, you are considered to be age 65 on December 31, 2025. [u](#)

Source: FTB.³

As noted above, the maximum income any taxpayer may earn and still qualify for the CalEITC in 2024 was \$32,900. The filing requirement threshold for a single filer under the age of 65 with one dependent was \$38,774 in 2025. This means that single filers

³ *Residents – Do I need to file?*, Franchise Tax Board.

<https://www.ftb.ca.gov/file/personal/residency-status/index.html#Do-I-need-to-file->

without dependents are the only category of taxpayer that may cross the filing threshold and still be eligible for the CalEITC. Conversely, any family – including a single parent family – that qualifies for the CalEITC based on their income is not required to file a California income tax return.

Some qualifying individuals who choose not to file a return may not be aware of the tax refunds they could receive. Additionally, some individuals may believe that submitting a tax return will open them up to paying additional amounts of tax rather than enabling them to claim the benefits to which they are entitled. Others may simply not believe the time and effort of filing their taxes is worth it even if they are aware of the benefits they are eligible for.

Another significant barrier to the uptake of the CalEITC and YCTC is the cost of paid tax preparation services, either by a professional or through licensed software applications. As the number of dependents that a filer may claim increases, the complexity of preparing a return generally increases, which subsequently increases the cost for preparation. While there are free filing options for which CalEITC eligible households would qualify – namely CalFile – the greater complexity of preparing a return as household size increases can push households towards a professional preparer, which can be costly. Finding assistance with tax returns may also be complicated by language barriers. The Volunteer Income Tax Assistance (VITA) programs provide free assistance in multiple languages to eligible, low-income filers, but these programs are often over-subscribed and cannot support all households seeking their assistance.

- i) *Outreach efforts:* California has engaged in numerous outreach efforts to encourage potentially eligible federal EITC and CalEITC taxpayers to file income tax returns and claim these credits. The FTB and California Department of Social Services (CDSS) worked with the California Policy Lab on several outreach campaigns using low-cost text messages and letters to increase awareness and claims of the federal EITC and the CalEITC in 2018 and 2019, but none of the outreach efforts led to an increase in tax filings.

In 2022, AB 158 (Budget), Chapter 737, Statutes of 2022, allowed the FTB and the CDSS to share data for purposes of informing state residents of the availability of VITA, CalFile, the federal EITC, the CalEITC, and other federal and state antipoverty tax credits that are designed to alleviate poverty and tax burdens for low-income households. CDSS worked with the FTB and Code for America to implement a fall outreach campaign that included text messages, email messages, and voice recordings. Additionally, CDSS launched a new helpline to provide callers with live support and resources. Similarly, in 2023, the CDSS led a two-phased outreach campaign, including text messages in the Spring, and text, voice, and email messages in the Fall. CDSS also provided higher touch supports from their Outreach Helpline and proactively reached out to individuals and families to provide additional information and support.⁴

⁴ *California Earned Income Tax Credit, Young Child Tax Credit, and Foster Youth Tax Credit 2022 Report*, Franchise Tax Board (January 2025). <https://www.ftb.ca.gov/about-ftb/data-reports-plans/California-Earned-Income-Tax-Credit-and-Young-Child-Tax-Credit-Report-2022.pdf>.

- j) *Related legislation:* AB 397 (Mark González) was similar to this bill, but increased the age of a qualifying child more quickly. AB 397 was held on the Assembly Appropriations Committee's Suspense File.
- k) *Prior legislation:*
 - i) AB 2977 (Jackson), of the 2023-24 Legislative Session, would have expanded the YCTC by increasing the earned income threshold from \$25,000 to \$50,000 and modified the definition of a qualifying child from younger than 6 years of age to younger than 18 years of age. AB 2977 was held on the Assembly Appropriation Committee's Suspense File.
 - ii) AB 1128 (Santiago), of the 2023-24 Legislative Session, was similar to this bill, but proposed to expand the eligibility of the YCTC by immediately including children up to 18 years of age. AB 1128 was held on the Assembly Appropriations Committee's Suspense File.
 - iii) AB 2589 (Santiago), of the 2021-22 Legislative Session, modified the CalEITC by allowing a minimum credit amount of \$255 and modified the YCTC to allow the credit for any CalEITC dependent and to those individuals that have zero earned income. AB 2589 was not heard by the Senate Committee on Governance and Finance.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Food Banks
 California Immigrant Policy Center
 Courage California
 Economic Security Project Action
 Friends Committee on Legislation of California
 Glide
 Golden State Opportunity
 Grace Institute - End Child Poverty in CA
 Inland Southern California United Way
 John Burton Advocates for Youth
 National Council of Jewish Women Los Angeles
 Orange County United Way
 Para Los Ninos
 Prosper California Coalition
 San Diego for Every Child
 United Parents and Students
 United Way Bay Area
 United Way California Capital Region (UNREG)
 United Way Fresno and Madera Counties
 United Way Monterey County
 United Way of Imperial County
 United Way of San Diego County
 United Way of San Joaquin County

United Way of the Wine Country
United Way of Ventura County
United Way Santa Cruz County
United Ways of California (UWCA)
Western Center on Law & Poverty, Inc.

Opposition

None on file

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