



AB 1498- Expand CalEITC Minimum to \$300

PURPOSE

Establishing a minimum California Earned Income Tax Credit (CalEITC) of at least \$300 would provide a meaningful credit for workers with and without dependents. This would have the following significant impacts:

First, it would encourage workers without dependents to file. In 2023, the maximum credit for filers without dependents is \$275 – and few workers receive the maximum credit. A bigger minimum credit incentivizes tax filing. Every year, there are billions of unclaimed dollars in federal funding left on the table by Californians who do not file their taxes. A larger state credit would incentivize tax filing and uptake of federal credits, like the EITC, boosting household incomes and local economies.

Second, a minimum credit would simplify outreach and education efforts. As it stands, state agencies and employers cannot accurately predict the amount an individual could be eligible for due to the CalEITC’s complex formula structure. If every CalEITC-eligible filer is guaranteed \$300, it would reduce confusion for those at the front lines of delivering outreach and education.

Third, and most importantly, a minimum credit provides a more meaningful refund Californians struggling to meet the basic cost of living across the state.

BACKGROUND

According to the California Budget & Policy Center, nearly all CalEITC recipients (88%) received less than \$300 from the credit in tax year 2021, with 79% getting less than \$200 and 43% getting less than \$100. For filers without dependents, the current maximum CalEITC

credit does not even cover the average costs of paid preparer services (an estimated \$363 for individuals with wage income using commercial filing services in 2019).

In tax year 2020, 2.1 million of Californians filing with a Social Security Number (SSN) (55%) who received the CalEITC used a paid commercial preparer to file their taxes. In the same year, 200,000 of Californians filing with an Individual Taxpayer Identification Number (ITIN) (88%) who received the CalEITC also used a paid commercial preparer. For many of these filers, the CalEITC does not even cover the amount spent on tax preparation.

SUMMARY

This bill proposes the establishment of a minimum California Earned Income Tax Credit (CalEITC) of \$300, benefitting 2.6 million workers without dependents and 500,000 workers with dependents. A \$300 minimum would make the credit more meaningful for recipients and would incentivize more eligible Californians to file their taxes.

Establishing a minimum credit would also ease an administrative burden for the Franchise Tax Board by simplifying communications about the minimum amount eligible filers can expect to receive.

SUPPORT

The CalEITC Coalition – Sponsor
Golden State Opportunity
GRACE/ End Child Poverty California
United Ways of California

FOR MORE INFORMATION

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