SB-1409 Franchise Tax Board: California earned income tax credit: report. (2019-2020)

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Senate Bill No. 1409

CHAPTER 114

An act relating to taxation.

[Approved by Governor September 18, 2020. Filed with Secretary of State September 18, 2020.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1409, Caballero. Franchise Tax Board: California earned income tax credit: report.

The Personal Income Tax Law, beginning on or after January 1, 2015, in modified conformity with federal income tax laws, allows an earned income tax credit, the California Earned Income Tax Credit (CalEITC), against personal income tax and a payment from the Tax Relief and Refund Account for an allowable credit in excess of tax liability to an eligible individual that is equal to that portion of the earned income tax credit allowed by federal law as determined by the earned income tax credit adjustment factor, as specified.

This bill would require the Franchise Tax Board to analyze and develop a plan to increase the number of claims of the CalEITC and the federal Earned Income Tax Credit. The bill would require the analysis to include an overview of the changes needed to the income tax system that would reduce any barriers to tax filing for non-filers of tax returns who are eligible for the CalEITC and an outline of the necessary changes needed to increase collaboration and coordination among state agencies to reach the greatest number of individuals eligible for the CalEITC. The bill would require the Franchise Tax Board to report to the Legislature on or before January 1, 2022, on its analysis and plan.

Vote: majority   Appropriation: no   Fiscal Committee: yes   Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) The federal Earned Income Tax Credit is one of the most effective poverty-reduction programs.

(b) In 2015, California established the California Earned Income Tax Credit (CalEITC) to build on the success of the federal Earned Income Tax Credit and to reduce poverty and boost employment.

(c) California has worked to ensure more people are eligible for this important safety net program by expanding the CalEITC to include self-employed workers and workers who are 18 to 24 years of age and 65 years of age and older, and increasing the income eligibility limits of the CalEITC.

(d) The federal Earned Income Tax Credit lifts millions of children out of poverty.

(e) California continues to have the highest number of people living in poverty under the Supplemental Poverty Measure of the United States Census Bureau, which takes into account the cost of living.

(f) California needs a multifaceted approach to increase the number of CalEITC claims among eligible individuals and families.

(g) It is the intent of the Legislature to do both of the following:

(1) Improve California's tax system by removing barriers to tax filing for low– and very low–income families to increase the number of CalEITC claims.

(2) Develop methods of collaboration and coordination between state agencies to lead to optimal government efficiency to achieve paragraph (1).

SEC. 2. (a) The Franchise Tax Board shall analyze and develop a plan to increase the number of claims of the California Earned Income Tax Credit (CalEITC) allowed pursuant to Section 17052 of the Revenue and Taxation Code, and the federal Earned Income Tax Credit, including alternative filing systems.

(b) The analysis shall include, but is not limited to, an overview of the changes needed to the income tax system that would reduce any barriers to tax filing for non–filers of tax returns who are eligible for the CalEITC and an outline of the necessary changes needed to increase collaboration and coordination among state agencies to reach the greatest number of individuals eligible for the CalEITC.

(c) The Franchise Tax Board shall engage any state agency task force and may engage any group that exists to reduce poverty and other stakeholders that work to reduce poverty.

(d) The Franchise Tax Board shall report to the Legislature on or before January 1, 2022, on its analysis and plan required by this section. The report shall be submitted in compliance with Section 9795 of the Government Code.