SB-201 Taxation: Earned Income Tax Credit: Young Child Tax Credit: Foster Youth Tax Credit. (2021-2022)

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Senate Bill No. 201

CHAPTER 72

An act to amend Sections 17052 and 17052.1 of, and to add Sections 17052.2 and 19551.4 to, the Revenue and Taxation Code, and to add Section 10850.8 to the Welfare and Institutions Code, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 30, 2022. Filed with Secretary of State June 30, 2022.]

LEGISLATIVE COUNSEL'S DIGEST

SB 201, Committee on Budget and Fiscal Review. Taxation: Earned Income Tax Credit: Young Child Tax Credit: Foster Youth Tax Credit.

(1) The Personal Income Tax Law, in modified conformity with federal income tax laws, allows an earned income tax credit 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. The law provides that the amount of the credit is calculated as a percentage of the eligible individual's earned income and is phased out above a specified amount as income increases, and provides alternative calculation factors under specified circumstances. Existing law, for taxable years beginning on or after January 1, 2020, and until and including the taxable year in which the minimum wage is set at $15 per hour, requires the phaseout percentage for eligible individuals to be recalculated by the Franchise Tax Board so that the calculated amount of credit for a taxpayer with an earned income of $30,000 is equal to 0. Existing law allows a payment to an eligible individual from the Tax Relief and Refund Account, a continuously appropriated fund, for any amount of the credit in excess of tax liability, as provided.

This bill, for taxable years after the taxable year in which the minimum wage is set at $15 per hour, would require the phaseout percentages for the prior taxable year to apply.

This bill, for taxable years beginning on or after January 1, 2022, would allow foster care tax credit against personal income tax in a specified amount for a qualified taxpayer, defined as a person who has been allowed an earned income tax credit for the taxable year, was in foster care, as provided, and is between 18 to 25, inclusive, years of age. The bill would authorize a payment from the Tax Relief and Refund Account for any amount of the credit in excess of tax liability. By authorizing an additional payment from the Tax Relief and Refund Account, a continuously appropriated fund, the bill would make an appropriation.

Existing law prohibits a person from publishing or disclosing, or permitting the publication or disclosure of, a list of persons receiving public social services and limits the use of the lists to purposes directly connected with the administration of public social services. Existing law generally makes it a misdemeanor for specified persons, including, among others, officers or employees of the state or its political subdivisions, to disclose information set forth or disclosed in returns, reports, or documents required to be filed under the franchise and income tax laws.

This bill would make exceptions to the state law prohibitions against sharing information on persons receiving public social services or tax information for the limited purposes of administering the foster youth credit described above. The bill would require the State Department of Social Services to seek any federal approval necessary to implement this exception.

(2) The Personal Income Tax Law allows a young child tax credit against the taxes imposed under that law and a payment from the Tax Relief and Refund Account for an allowable credit in excess of tax liability to a qualified taxpayer in a specified amount multiplied by the earned income tax credit adjustment factor, as provided. Existing law defines “qualified taxpayer” for this purpose to include an eligible individual who has a qualified child, as defined, and is allowed an earned income tax credit, as specified.

This bill would expand the definition of “qualified taxpayer” to also include an eligible individual who has a qualified child and would have received an earned income tax credit but for the fact that the individual has earned income, as defined, of $0 or less for the taxable year. The bill would also require the amount of the young child tax credit to be recomputed annually in the same manner as the recomputation of income tax brackets, as specified. By authorizing new payments from the Tax Relief and Refund Account in excess of personal income tax liabilities, and by increasing the amount of moneys paid from the account, the bill would make an appropriation.

(3) Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would provide findings to comply with the additional information requirement for any bill authorizing a new tax expenditure.

(4) This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $^{2}/_{3}$ of the membership of each house of the Legislature.

(5) This bill would also make findings and declarations related to a gift of public funds.

(6) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.
Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: no

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

SECTION 1. Section 17052 of the Revenue and Taxation Code is amended to read:

17052. (a) (1) For each taxable year beginning on or after January 1, 2015, there shall be allowed against the “net tax,” as defined by Section 17039, an earned income tax credit in an amount equal to an amount determined in accordance with Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal income tax purposes for the taxable year, except as otherwise provided in this section.

(2) (A) The amount of the credit determined under Section 32 of the Internal Revenue Code, relating to earned income, as modified by this section, shall be multiplied by the earned income tax credit adjustment factor for the taxable year.

(B) Unless otherwise specified in the annual Budget Act, the earned income tax credit adjustment factor for a taxable year beginning on or after January 1, 2015, shall be 0 percent.

(C) The earned income tax credit authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit.

(b) (1) In lieu of the table prescribed in Section 32(b)(1) of the Internal Revenue Code, relating to percentages, the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	7.65%	7.65%
1 qualifying child	34%	34%
2 qualifying children	40%	40%
3 or more qualifying children	45%	45%

(2) (A) In lieu of the table prescribed in Section 32(b)(2)(A) of the Internal Revenue Code, the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$3,290	$3,290
1 qualifying child	$4,940	$4,940
2 or more qualifying children	$6,935	$6,935

(B) Section 32(b)(2)(B) of the Internal Revenue Code, relating to joint returns, shall not apply.

(c) (1) Section 32(c)(1)(A)(ii)(I) of the Internal Revenue Code is modified by substituting “this state” for “the United States.”

(2) For each taxable year beginning on or after January 1, 2018, Section 32(c)(1)(A)(ii)(II) of the Internal Revenue Code is modified by deleting “25 but not attained age 65” and inserting in lieu thereof the following: “18.”

(3) Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting “plus” and inserting in lieu thereof the following: “and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.”

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall not apply.

(4) For taxable years beginning on or after January 1, 2017, paragraph (3) shall not apply and in lieu thereof Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting “plus” and inserting in lieu thereof the following: “and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code, plus.”

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall apply.

(5) Section 32(c)(3)(C) of the Internal Revenue Code, relating to place of abode, is modified by substituting “this state” for “the United States.”

(d) Section 32(i)(1) of the Internal Revenue Code is modified by substituting “$3,400” for “$2,200.”

(e) (1) In lieu of Section 32(j) of the Internal Revenue Code, relating to inflation adjustments, for taxable years beginning on or after January 1, 2016, the amounts specified in paragraph (2) of subdivision (b) and in subdivision (d) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(2) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, when recomputing the amounts referenced in paragraph (1), the percentage change in the California Consumer Price Index shall be deemed to be the greater of 3.1 percent or the percentage change in the California Consumer Price Index as calculated under subdivision (h) of Section 17041 for that taxable year.

(3) For each taxable year beginning on or after January 1, 2019, and before January 1, 2020, when recomputing the amounts referenced in paragraph (1), the percentage change in the California Consumer Price Index shall be deemed to be the greater of 3.5 percent or the percentage change in the California Consumer Price Index as calculated under subdivision (h) of Section 17041 for that taxable year.

(f) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.

(g) (1) The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(2) (A) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed or improper payments from being made with

respect to net earnings from self-employment.

(B) The adoption of any regulations pursuant to subparagraph (A) may be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, these emergency regulations shall not be subject to the review and approval of the Office of Administrative Law. The regulations shall become effective immediately upon filing with the Secretary of State, and shall remain in effect until revised or repealed by the Franchise Tax Board.

(h) Notwithstanding any other law, amounts refunded pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000) of the Welfare and Institutions Code or amounts of those benefits.

(i) (1) For the purpose of implementing the credit allowed by this section for the 2015 taxable year, the Franchise Tax Board shall be exempt from the following:

(A) Special Project Report requirements under State Administrative Manual Sections 4819.36, 4945, and 4945.2.

(B) Special Project Report requirements under Statewide Information Management Manual Section 30.

(C) Section 11.00 of the 2015 Budget Act.

(D) Sections 12101, 12101.5, 12102, and 12102.1 of the Public Contract Code.

(2) The Franchise Tax Board shall formally incorporate the scope, costs, and schedule changes associated with the implementation of the credit allowed by this section in its next anticipated Special Project Report for its Enterprise Data to Revenue Project.

(j) (1) In accordance with Section 41 of the Revenue and Taxation Code, the purpose of the California Earned Income Tax Credit is to reduce poverty among California’s poorest working families and individuals. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The number of individuals represented on tax returns claiming the credit.

(C) The average credit amount on tax returns claiming the credit.

(D) The distribution of credits by number of dependents and income ranges. The income ranges shall encompass the phase-in and phaseout ranges of the credit.

(E) Using data from tax returns claiming the credit, including an estimate of the federal tax credit determined under Section 32 of the Internal Revenue Code, an estimate of the number of families who are lifted out of deep poverty by the credit and an estimate of the number of families who are lifted out of deep poverty by the combination of the credit and the federal tax credit. For the purposes of this subdivision, a family is in “deep poverty” if the income of the family is less than 50 percent of the federal poverty threshold.

(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(k) The tax credit allowed by this section shall be known as the California Earned Income Tax Credit.

(l) The amendments made to this section by Chapter 722 of the Statutes of 2016 shall apply to taxable years beginning on or after January 1, 2016.

(m) (1) For each taxable year beginning on or after January 1, 2017, and before January 1, 2018, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars ($100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars ($250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	2.20%	1.22%
1 qualifying child	3.10%	2.29%
2 qualifying children	2.13%	3.45%
3 or more qualifying children	2.12%	3.49%

(2) For each taxable year beginning on or after January 1, 2017, and before January 1, 2018, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars ($100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars ($250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$5,354	$5,354
1 qualifying child	$9,484	$9,484
2 qualifying children	$13,794	$13,794
3 or more qualifying children	$13,875	$13,875

(n) (1) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred three dollars ($103) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty-eight dollars ($258) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	2.20%	1.08%
1 qualifying child	3.10%	2.00%
2 qualifying children	2.13%	2.82%
3 or more qualifying children	2.12%	2.85%

(2) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred three dollars ($103) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty-eight dollars ($258) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$5,520	$5,520
1 qualifying child	$9,778	$9,778
2 qualifying children	$14,222	$14,222
3 or more qualifying children	$14,305	$14,305

(o) (1) For each taxable year beginning on or after January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to two hundred dollars ($200) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to five hundred five dollars ($505) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	5.43%	0.92%
1 qualifying child	6.33%	2.88%
2 qualifying children	4.20%	3.75%
3 or more qualifying children	4.15%	3.78%

(2) For each taxable year beginning on or after January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to two hundred dollars ($200) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to five hundred five dollars ($505) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$4,334	$4,334
1 qualifying child	$9,381	$9,381
2 qualifying children	$14,137	$14,137
3 or more qualifying children	$14,302	$14,302

(3) For taxable years beginning on or after January 1, 2020, and until and including the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, both of the following shall occur:

(A) The amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(B) The phaseout percentage for each of the four categories of eligible individuals shall be recalculated by the Franchise Tax Board in such a manner that, for a taxpayer with an earned income of thirty thousand dollars ($30,000), the calculated amount of credit is equal to zero.

(4) (A) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(B) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the phaseout percentages for the prior taxable year, as recalculated under subparagraph (B) of paragraph (3), shall apply.

(p) For each taxable year beginning on or after January 1, 2020, Section 32(m) of the Internal Revenue Code, relating to identification numbers, is modified as follows:

(1) By deleting "(other than a social security number issued pursuant to clause (II) (or that portion of clause (III) that relates to clause (II)) of section 205(c)(2)(B)(i) of the Social Security Act)."

(2) By substituting "federal individual taxpayer identification number or a social security number" for "social security number."

(q) An eligible individual, eligible individual's spouse, or qualifying child using a federal individual taxpayer identification number as authorized under subdivision (p) shall:

(1) Upon request of the Franchise Tax Board, provide:

(A) Identifying documents acceptable for purposes of obtaining a California driver's license as authorized by subdivisions (a) and (c) of Section 12801.9 of the Vehicle Code, enacted by Chapter 524 of the Statutes of 2013, and related regulations adopted for purposes of establishing documents acceptable to prove identity.

(B) Identifying documents used to report earned income for the taxable year.

(2) Upon receiving a valid social security number issued to that individual by the Social Security Administration, notify the Franchise Tax Board, in the time and manner prescribed by the Franchise Tax Board.

(r) The Legislature finds and declares that, to the extent they are otherwise qualified for a credit under this section, undocumented persons are eligible for the tax credit authorized by this section within the meaning of subsection (d) of Section 1621 of Title 8 of the United States Code.

SEC. 2. Section 17052.1 of the Revenue and Taxation Code is amended to read:

17052.1. (a) (1) For each taxable year beginning on or after January 1, 2019, there shall be allowed against the "net tax," as defined by Section 17039, a young child tax credit to a qualified taxpayer, in an amount as determined under paragraph (2).

(2) (A) (i) The amount of the young child tax credit shall be equal to one thousand one hundred seventy-six dollars ($1,176), multiplied by the earned income tax credit adjustment factor for the taxable year as specified for in Section 17052.

(ii) The amount of the young child tax credit specified under clause (i) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(B) The young child tax credit allowable in any taxable year to any qualified taxpayer shall be limited to the maximum amount specified in clause (i) of subparagraph (A) as recomputed under clause (ii) of subparagraph (A).

(C) (i) The young child tax credit shall be reduced by twenty dollars ($20) for each one hundred dollars ($100), or fraction thereof, by which the qualified taxpayer's earned income, as defined in Section 17052, exceeds the "threshold amount." For purposes of this section, the "threshold amount" shall be twenty-five thousand dollars ($25,000).

(ii) (I) For each taxable year beginning on or after January 1, 2022, and before January 1, 2023, the twenty dollars ($20) in clause (i) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041, except that the resulting products shall be rounded off to the nearest cent.

(II) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the amount calculated under subclause (I) shall substitute for the twenty dollars ($20) in clause (i).

(iii) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the "threshold amount" in this subparagraph shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(D) The young child tax credit authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit allowed under Section 17052.

(b) (1) "Qualified taxpayer" means an eligible individual who has at least one qualifying child and who satisfies either of the following:

(A) Has been allowed a tax credit under Section 17052.

(B) Meets all of the following requirements:

(i) Would otherwise have been allowed a tax credit under Section 17052, but has earned income, as defined in Section 32(c)(2) of the Internal Revenue Code, as modified by Section 17052, of zero dollars ($0) or less.

(ii) Does not have net losses in excess of thirty thousand dollars ($30,000) in the taxable year.

(iii) Does not have wages, salaries, tips, and other employee compensation in excess of thirty thousand dollars ($30,000) in the taxable year.

(2) For each taxable year beginning on or after January 1, 2022, the amounts specified under clauses (ii) and (iii) of subparagraph(B) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(c) "Qualifying child" shall have the same meaning as under Section 17052, except that the child shall be younger than six years of age as of the last day of the taxable year.

(d) (1) The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(2) (A) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed or improper payments from being made with respect to net earnings from self-employment.

(B) The adoption of any regulations pursuant to subparagraph (A) may be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, these emergency regulations shall not be subject to the review and approval of the Office of Administrative Law. The regulations shall become effective immediately upon filing with the Secretary of State, and shall remain in effect until revised or repealed by the Franchise Tax Board.

(e) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer.

(f) Notwithstanding any other law, amounts refunded pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000) of the Welfare and Institutions Code or amounts of those benefits.

(g) (1) In accordance with Section 41, the purpose of the Young Child Tax Credit is to reduce poverty among California's poorest working families and young children. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The number of qualifying children represented on tax returns claiming the credit.

(C) The average credit amount on tax returns claiming the credit.

(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(h) The Legislature finds and declares that, to the extent they are otherwise qualified for a credit under this section, undocumented persons are eligible for the tax credit authorized by this section within the meaning of subsection (d) of Section 1621 of Title 8 of the United States Code.

(i) The amendments made to this section by the act adding this subdivision shall apply for taxable years beginning on or after January 1, 2022, except as provided in subparagraph (C) of paragraph (2) of subdivision (a).

SEC. 3. Section 17052.2 is added to the Revenue and Taxation Code, to read:

17052.2. (a) (1) For each taxable year beginning on or after January 1, 2022, there shall be allowed against the "net tax," as defined by Section 17039, a foster youth tax credit to a qualified taxpayer, in an amount as determined under paragraph (2).

(2) (A) The amount of the foster youth tax credit shall be equal to one thousand one hundred seventy-six dollars ($1,176), multiplied by the earned income tax credit adjustment factor for the taxable year, as specified in Section 17052.

(B) For taxable years beginning on or after January 1, 2022, the amount in subparagraph (A) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(C) (i) The foster youth tax credit shall be reduced by twenty dollars ($20) for each one hundred dollars ($100), or fraction thereof, by which the qualified taxpayer’s earned income, as defined in Section 17052, exceeds the threshold amount.

(ii) (I) For taxable years beginning on or after January 1, 2022, and before January 1, 2023, the twenty dollars ($20) in clause (i) shall be recomputed in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041, except that for purposes of this clause, subparagraph (B) of paragraph (2) of subdivision (h) of Section 17041 shall be modified by substituting “nearest cent” for “nearest one dollar ($1).”

(II) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the amount calculated under subclause (I) shall substitute for the twenty dollars ($20) in clause (i).

(iii) For taxable years beginning after the taxable year in which the minimum wage, as defined in paragraph (1) of subdivision (b) of Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the threshold amount shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(b) The foster youth tax credit authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the earned income tax credit allowed under Section 17052.

(c) For purposes of this section, the following definitions shall apply:

(1) “Qualified taxpayer,” means an individual who satisfies all of the following:

(A) Has been allowed a tax credit under Section 17052 for the taxable year.

(B) Is 18 to 25 years of age, inclusive, as of the last day of the taxable year.

(C) Was in foster care while 13 years of age or older in an AFDC-FC placement, as described in Section 11402 of the Welfare and Institutions Code, including a tribally approved home, as defined in subdivision (r) of Section 224.1 of the Welfare and Institutions Code, or Approved Relative Caregiver Funding Program eligible placement, as described in Article 6 (commencing with Section 11450) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, by a Title IV-E agency, pursuant to a voluntary placement agreement or a juvenile court order.

(2) “Threshold amount” shall be twenty-five thousand dollars ($25,000).

(3) “Title IV-E agency” means either of the following:

(A) A county child welfare agency or probation department that administers foster care placements under Title IV-E of the federal Social Security Act (Part E (commencing with Section 670) of Subchapter IV of Chapter 7 of Title 42 of the United States Code).

(B) An Indian tribe, tribal organization, or tribal consortium located in California or with lands that extend into the state that has an agreement with the State Department of Social Services pursuant to Section 10553.1 of the Welfare and Institutions Code to administer foster care placement under Title IV-E of the federal Social Security Act (Part E (commencing with Section 670) of Subchapter IV of Chapter 7 of Title 42 of the United States Code).

(d) (1) As provided for in Section 10850.8 of the Welfare and Institutions Code, and subject to federal approvals or waivers, the State Department of Social Services shall provide to the Franchise Tax Board the data regarding a qualified taxpayer placed by a Title IV-E agency that may be necessary to verify that an individual qualifies for the foster youth tax credit. The data provided shall remain confidential and shall be used only for purposes directly connected with the foster youth tax credit.

(2) In the event federal approval or waivers pursuant to paragraph (1) are not provided, the Franchise Tax Board and the State Department of Social Services shall explore alternative methods to verify foster care status for individuals described in paragraph (1) of subdivision (c) in a manner consistent with state and federal law.

(3) The State Department of Social Services shall seek all appropriate federal waivers or approvals for the implementation of this subdivision as necessary. This subdivision shall be implemented only if necessary federal waivers or approvals are granted.

(e) (1) The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section.

(2) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed or improper payments from being made with respect to net earnings from self-employment.

(3) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any regulation, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(f) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer.

(g) Notwithstanding any other law, amounts refunded pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000) of the Welfare and Institutions Code or amounts of those benefits.

(h) Notwithstanding any other law, the payment authorized pursuant to this section shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual, or any other individual, for benefits or assistance or the amount or extent of benefits or assistance under any state or local program not covered in subdivision (g). With respect to a state or local program, this subdivision shall only be implemented to the extent that it does not conflict with federal law relating to that program, and that any required federal approval or waiver is first obtained for that program.

(i) The Legislature finds and declares that, to the extent they are otherwise qualified for a credit under this section, undocumented persons are eligible for the tax credit authorized by this section within the meaning of subsection (d) of Section 1621 of Title 8 of the United States Code.

(j) (1) In accordance with Section 41, the purpose of the Foster Care Tax Credit is to reduce poverty among California's young adults who have been in the foster care program. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The average credit amount on tax returns claiming the credit.

(2) The Franchise Tax Board shall provide the written report, in compliance with Section 9795 of the Government Code, to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(3) The disclosure provisions of this subdivision shall be treated as an exception to Section 19542 under Article 2 (commencing with 19542) of Chapter 7 of Part 10.2.

SEC. 4. Section 19551.4 is added to the Revenue and Taxation Code, to read:

19551.4. (a) Notwithstanding Section 19542, the Franchise Tax Board may disclose to the State Department of Social Services return or return information described in subdivision (b) through information sharing agreements or data interfaces.

(b) The return and return information authorized to be disclosed pursuant to this section is limited to information necessary to verify eligibility, including, but not limited to, earnings, identifying information, or other information needed for administration of the foster youth tax credit under Section 17052.2.

(c) (1) The information provided to the State Department of Social Services under this section is subject to Section 19542.

(2) The State Department of Social Services and any officer, employee, or agent, or former officer, employee, or agent, of the State Department of Social Services shall not disclose or use any information obtained from the Franchise Tax Board pursuant to this section except for the purpose of administration of the foster youth tax credit under Section 17052.2.

SEC. 5. Section 10850.8 is added to the Welfare and Institutions Code, to read:

10850.8. (a) Notwithstanding Section 10850, the State Department of Social Services shall provide the Franchise Tax Board with information necessary to verify foster care status for the sole purpose of determining eligibility for the foster youth tax credit described in Section 17052.2 of the Revenue and Taxation Code.

(b) The provisions of this section shall be operative only to the extent permitted by federal law.

(c) The State Department of Social Services shall seek any federal approval necessary to implement subdivision (a).

SEC. 6. The Legislature hereby finds and declares that the payments authorized by Section 17052.1 of the Revenue and Taxation Code serve the public purpose of providing financial support to Californians, and do not constitute gifts of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

SEC. 7. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.