



California Budget  
& Policy Center  
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# Expanding the CalEITC: A Smart Investment to Broaden Economic Security in California

MARCH 11, 2019

# California Budget & Policy Center

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The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit our website at [calbudgetcenter.org](https://calbudgetcenter.org).

## Acknowledgments

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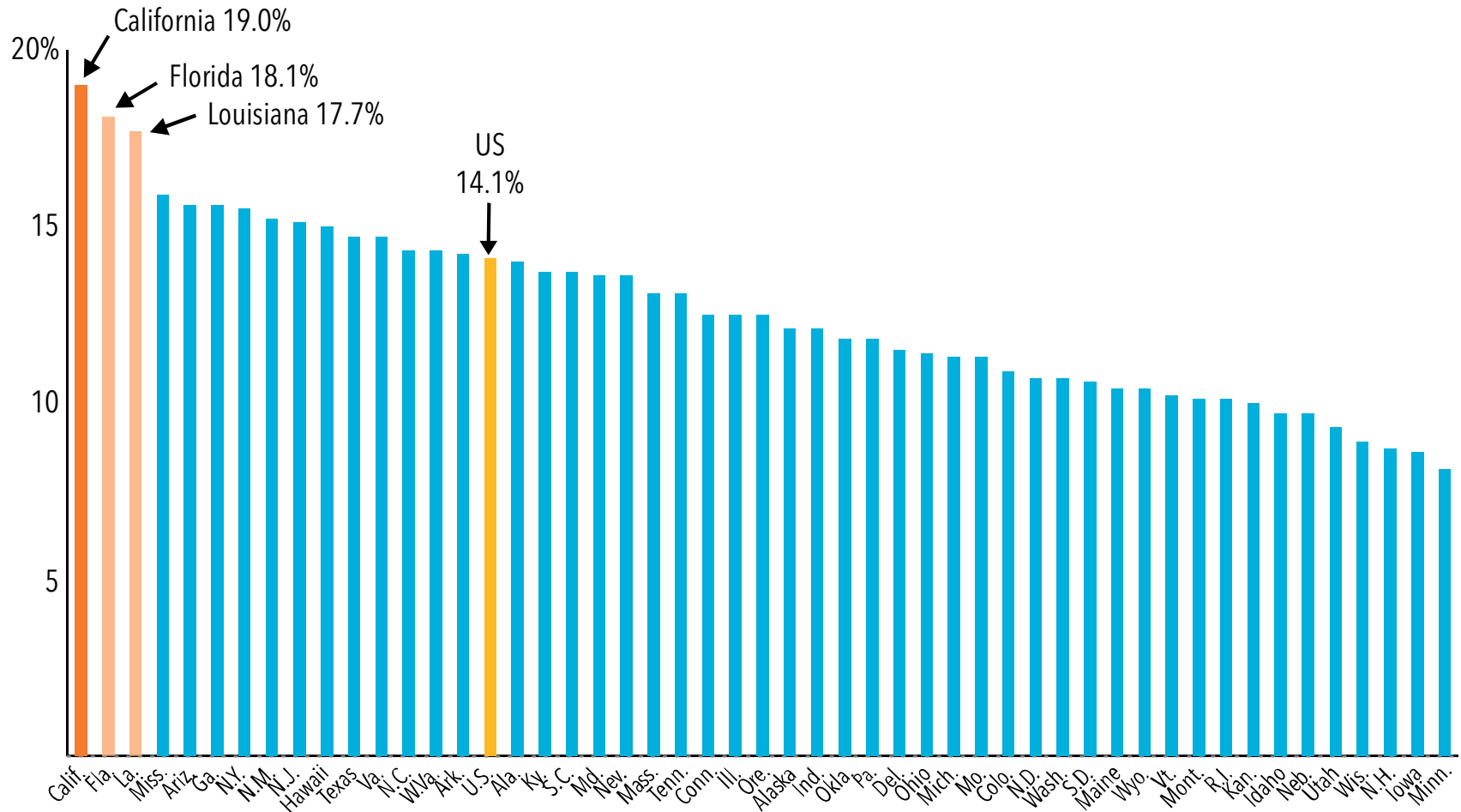


# **California Is an Economic Powerhouse, but Millions Are Not Benefiting From the State's Economic Success**



# California Has One of the Highest Poverty Rates of the 50 States Under the Supplemental Poverty Measure

State Poverty Rate Under the Supplemental Poverty Measure, 2015-2017



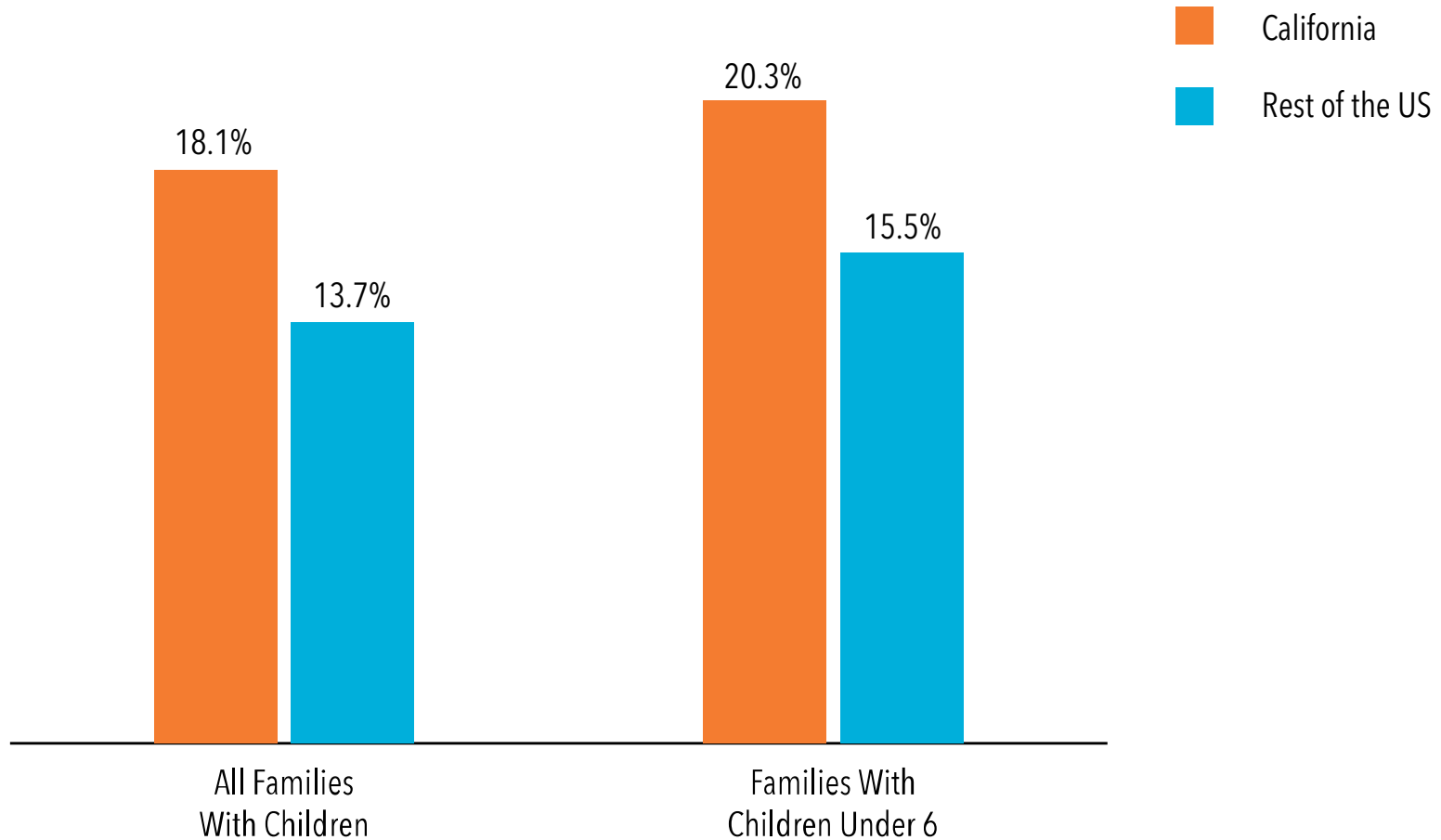
Note: Poverty rates for California, Florida, and Louisiana are not statistically different.

Source: US Census Bureau, Current Population Survey



# Families With Children Are Significantly More Likely to Live in Poverty in California Than in the Rest of the US

Poverty Rate Based on the Supplemental Poverty Measure, 2017

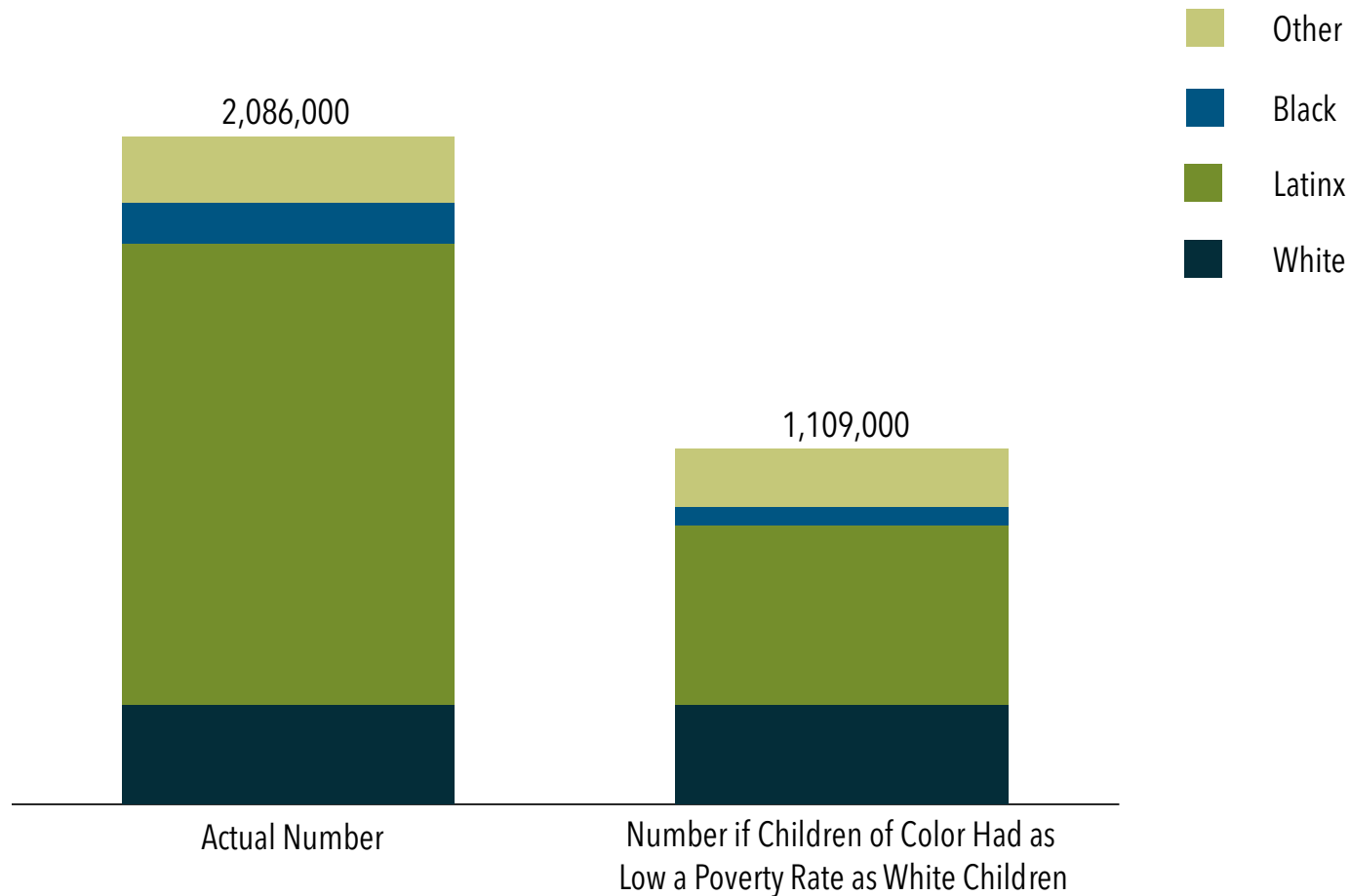


Source: Budget Center analysis of US Census Bureau, Current Population Survey data



# If the Poverty Rate for Kids of Color Were as Low as That for White Kids, 977,000 Fewer Kids Would be in Poverty

Number of California Children in Poverty, 2014-2016



Analysis is based on the Supplemental Poverty Measure. Racial and ethnic groups are mutually exclusive. Due to data limitations, children who were not identified as white, black, or Latinx were grouped into an "other" category.

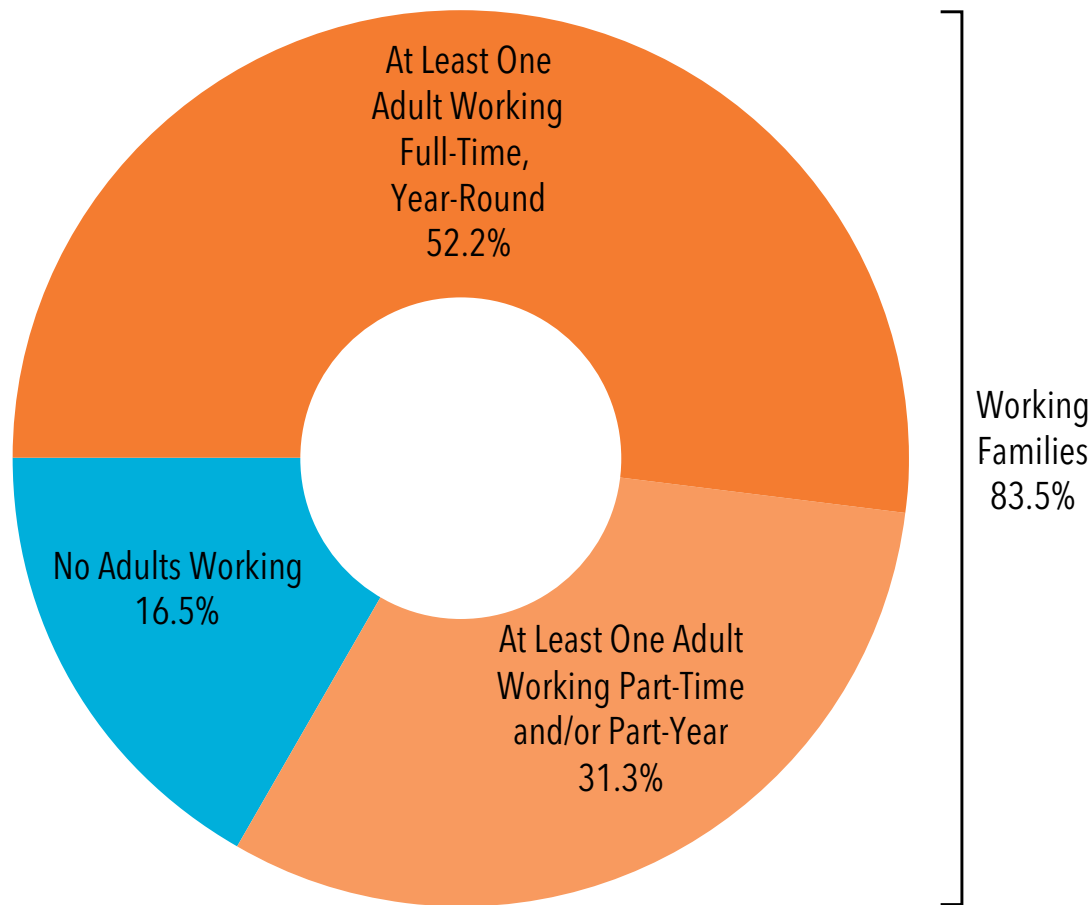
Source: Budget Center analysis of US Census Bureau, Current Population Survey data





# More Than 8 in 10 California Children in Poverty Live in Working Families

Percentage of California Children in Poverty Based on the California Poverty Measure, 2016

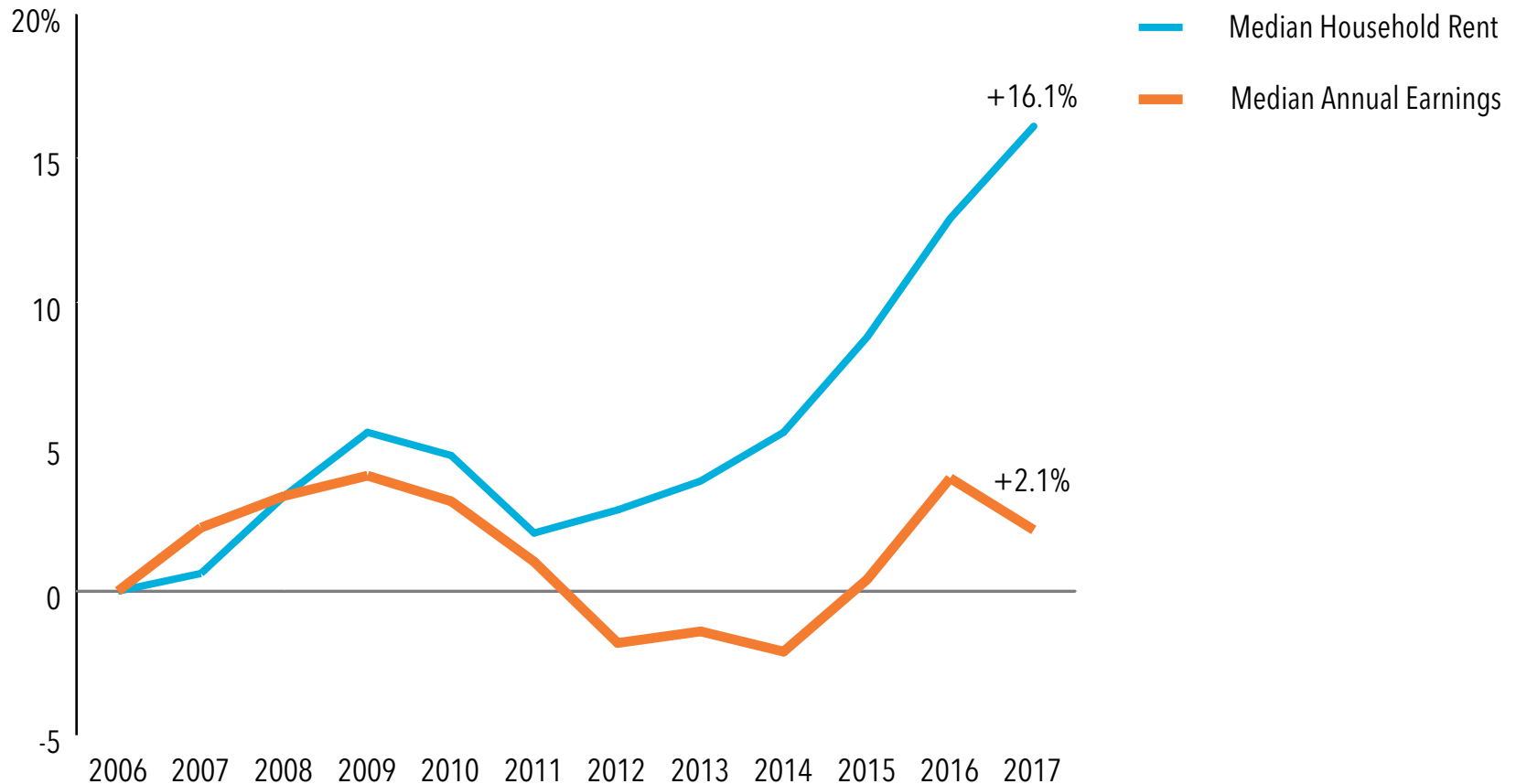


Source: Public Policy Institute of California



# Workers' Earnings Have Not Kept Pace With Rents in California

Percent Change in Inflation-Adjusted Median Rent and Median Annual Earnings Since 2006



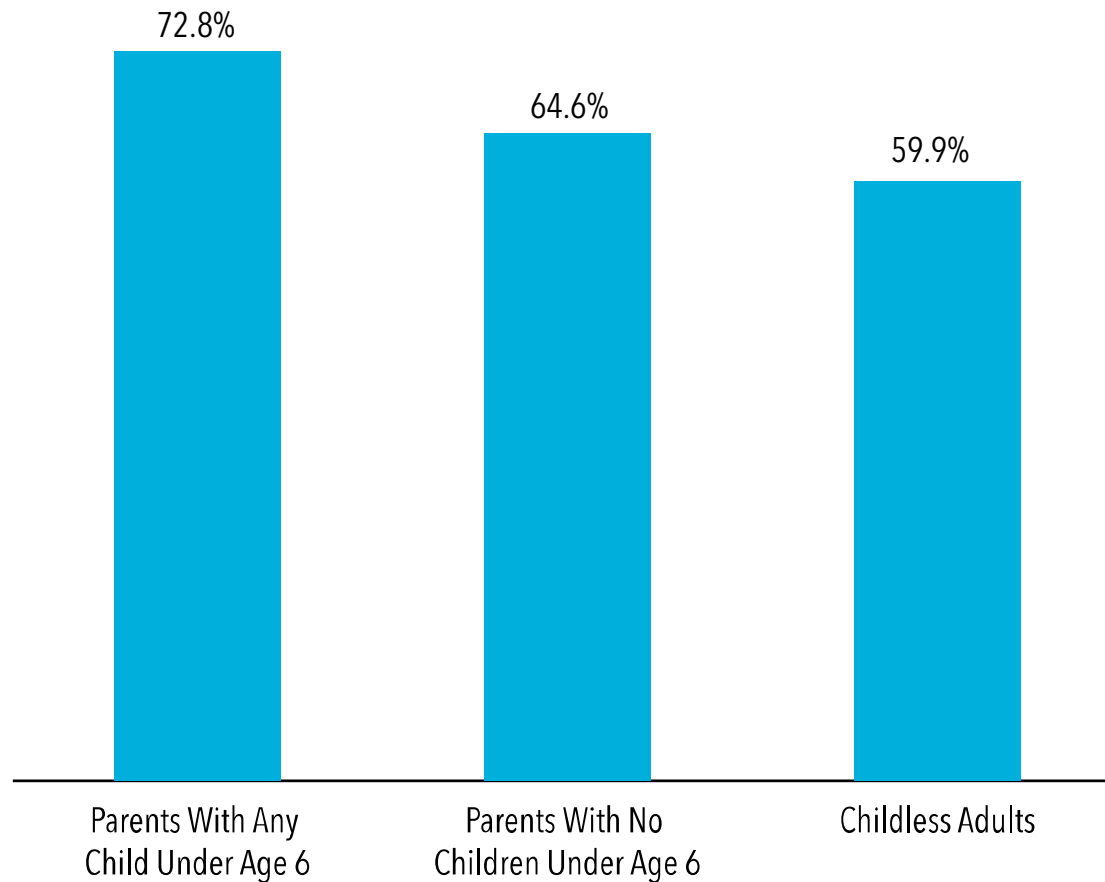
Note: Median annual earnings for individuals working at least 35 hours per week and 50 weeks per year. Excludes workers with \$0 or negative total earnings.

Source: Budget Center analysis of US Census Bureau, American Community Survey data



# The Majority of Low-Income Parents and Childless Adults Have Difficulty Meeting Basic Needs

Percentage of US Adults With Incomes Below Twice the Poverty Line Who Experienced Hardship, 2017



Note: Poverty line is based on the Official Poverty Measure. Hardship includes the inability to afford housing, utilities, medical bills, or sufficient food in the past year. Adults are ages 18 to 64.  
Source: Urban Institute



# **The CalEITC is a Tool for Broadening Economic Security in California**

**This tax credit helps families and individuals  
make ends meet.**



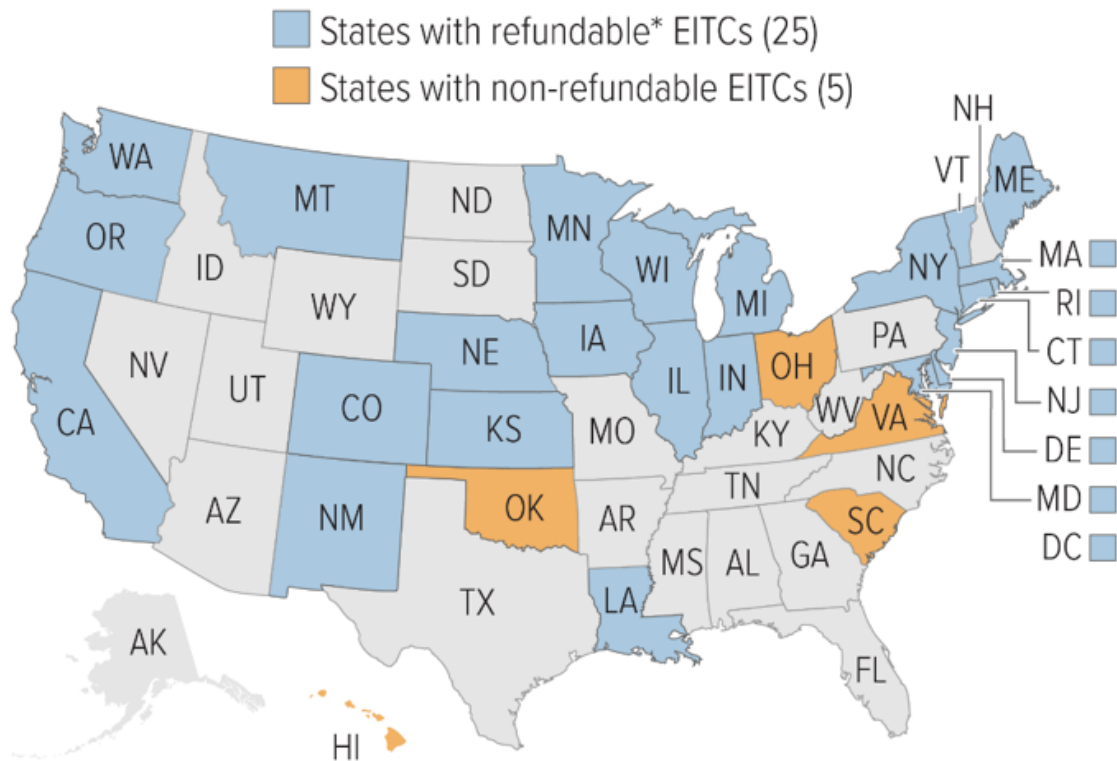
# The CalEITC Is a Refundable State Tax Credit Modeled After the Federal EITC

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- **Established by the 2015-16 budget agreement, the CalEITC boosts the incomes of workers with low earnings and their families.** Specifically, the credit:
  - Reduces the amount of state income tax that families or individuals owe based on how much they earn from work and how many children they support.
  - Is refundable, meaning that families or individuals who qualify for a credit that exceeds the amount of state income tax they owe receive the balance as a tax refund. People who do not owe any state income tax get the full CalEITC that they qualify for as a refund.



## Twenty-Nine States and D.C. Have Enacted Earned Income Tax Credits (EITCs), 2018



Note: Refundability in Delaware is pending action by the state's governor.

\*Refundable EITCs give working households the full value of the credit they earn even if it exceeds their income tax liability.

Source: Center on Budget and Policy Priorities



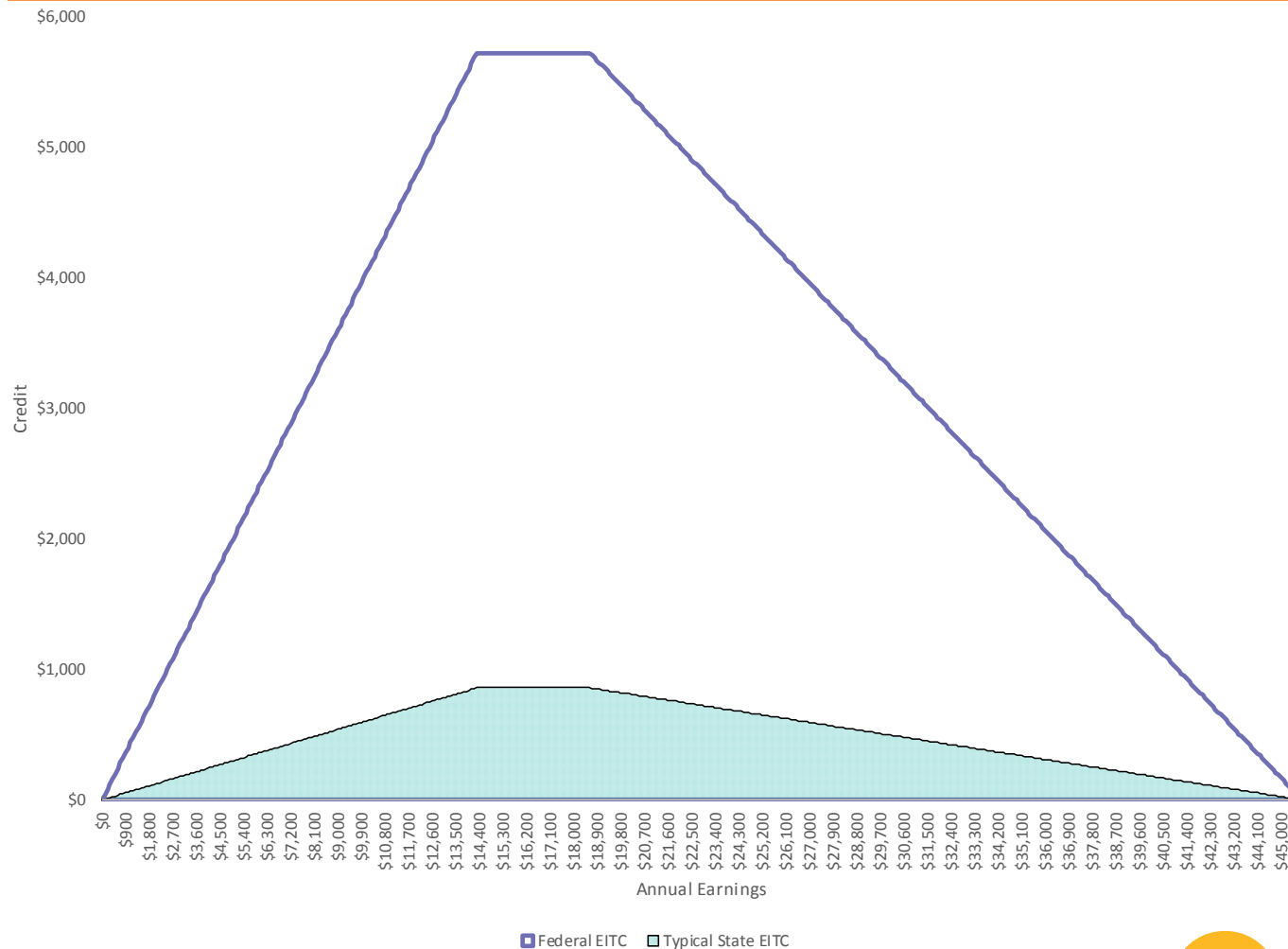
# The CalEITC Is Structured Differently From Other State EITCs

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- **California is one of [29 states](#) and the District of Columbia with a state EITC.**
  - Nearly all state EITCs are structured like the federal EITC, meaning that every family or individual who qualifies for the federal credit also qualifies for the state's credit.
  - The [majority](#) of state EITCs provide a credit equal to 20% or less of the federal EITC.
- **The CalEITC is structured differently from other state EITCs.**
  - It is available to only a portion of families and individuals who qualify for the federal EITC – those with low incomes.
  - It provides the largest refundable state EITC in the nation – equal to 85% of the federal EITC – to the lowest-income families and individuals.



# The Typical State EITC Provides a Credit to Every Tax Filer Who Qualifies for the Federal EITC, and the State Credit Is Often 20% or Less of the Federal Credit

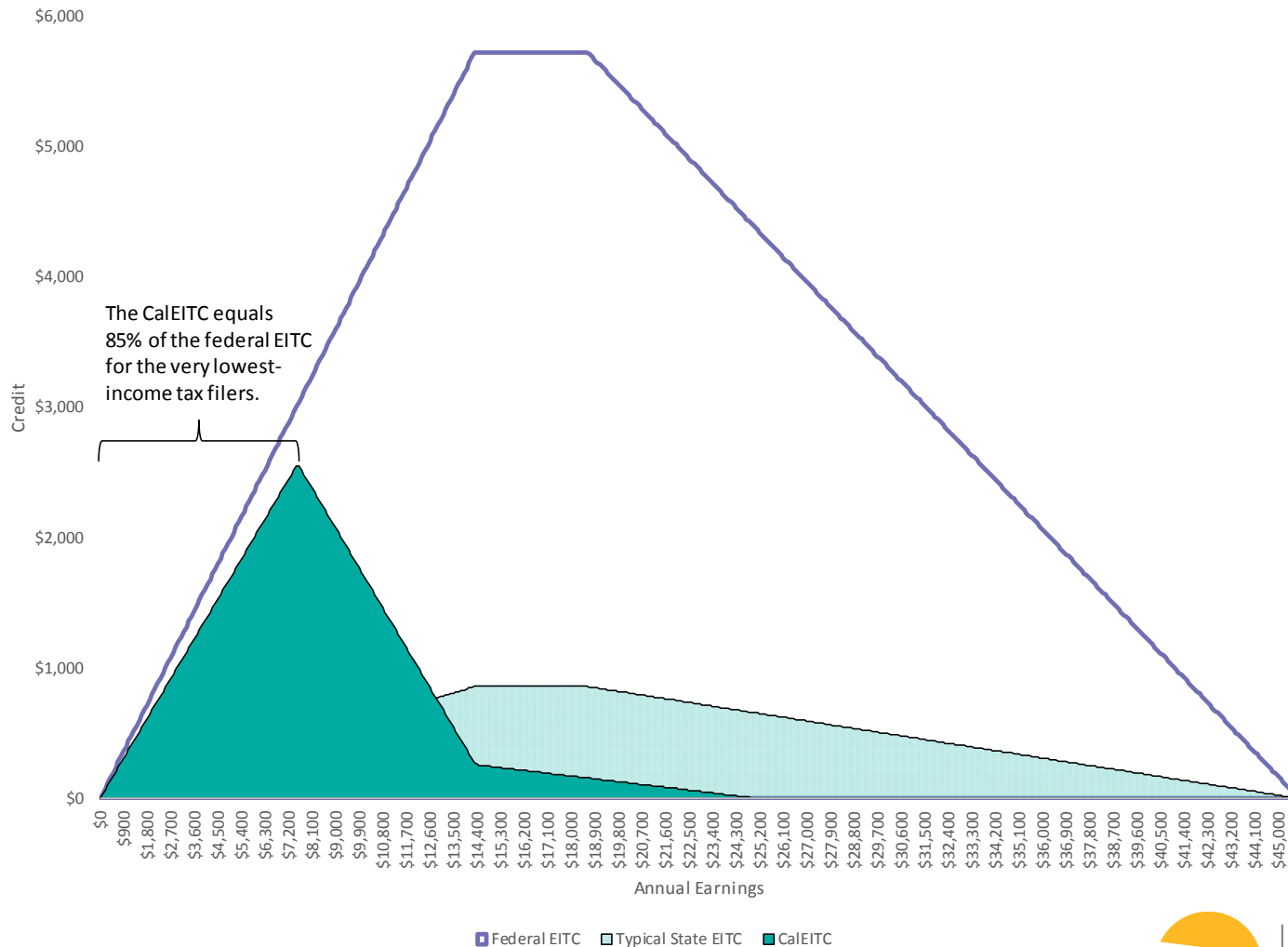


Note: Federal and typical state EITC is for head-of-household filers with two children.





# The CalEITC Is Available to Only a Portion of Tax Filers Who Qualify for the Federal EITC, but Those With Very Low Incomes Qualify for a Large State Credit

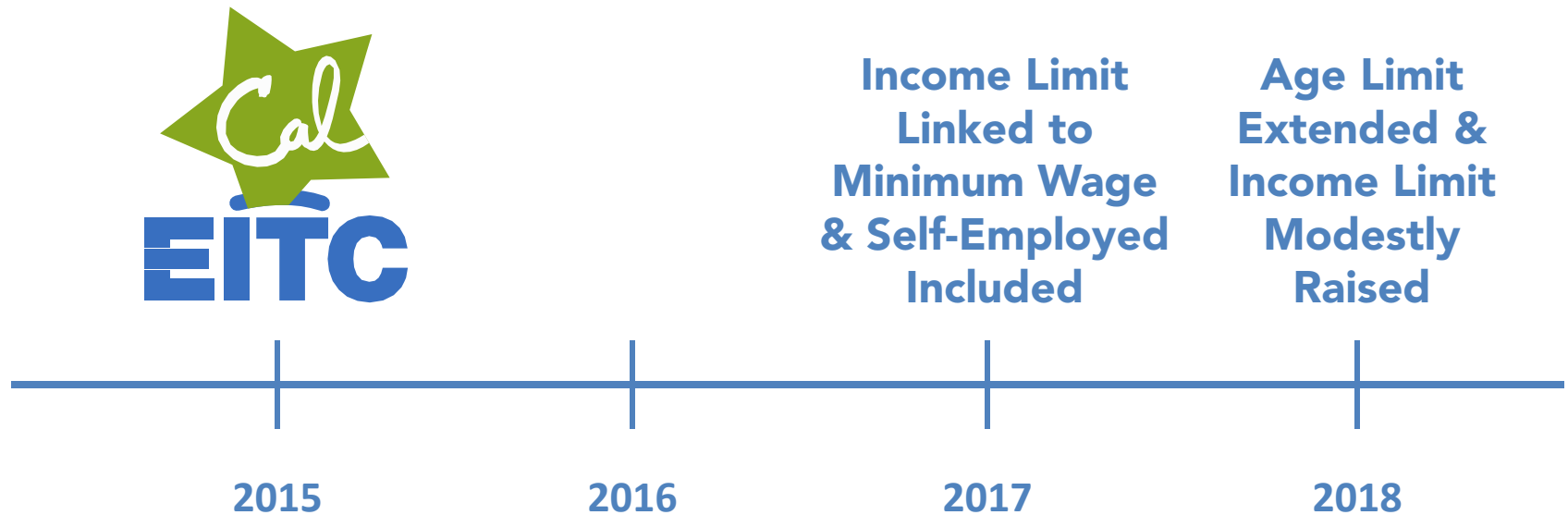


Note: Federal and typical state EITC is for head-of-household filers with two children. CalEITC is for head-of-household and married filing-joint filers with two children.



# Previous CalEITC Expansions Have Increased the Credit's Reach

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# California Has Modestly Expanded the CalEITC Twice Since It Was First Created

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- **The 2017-18 budget agreement extended the CalEITC to many more families and individuals beginning in tax year 2017.**
  - Self-employed workers who were originally excluded from the credit became eligible.
  - The income eligibility limits were substantially raised (up to the level of a full-time minimum-wage annual salary, for filers with children), although those who became eligible for the credit due to this change qualify for relatively small credits.
- **The 2018-19 budget agreement extended the CalEITC to additional families and individuals beginning in tax year 2018.**
  - Workers ages 18 to 24 or 65+ who were previously excluded from the credit became eligible.
  - The income eligibility limits were modestly increased further.



# CalEITC Claims Increased Significantly in 2017 After the First Expansion and Will Likely Increase Modestly in 2018 Due to the Second Expansion

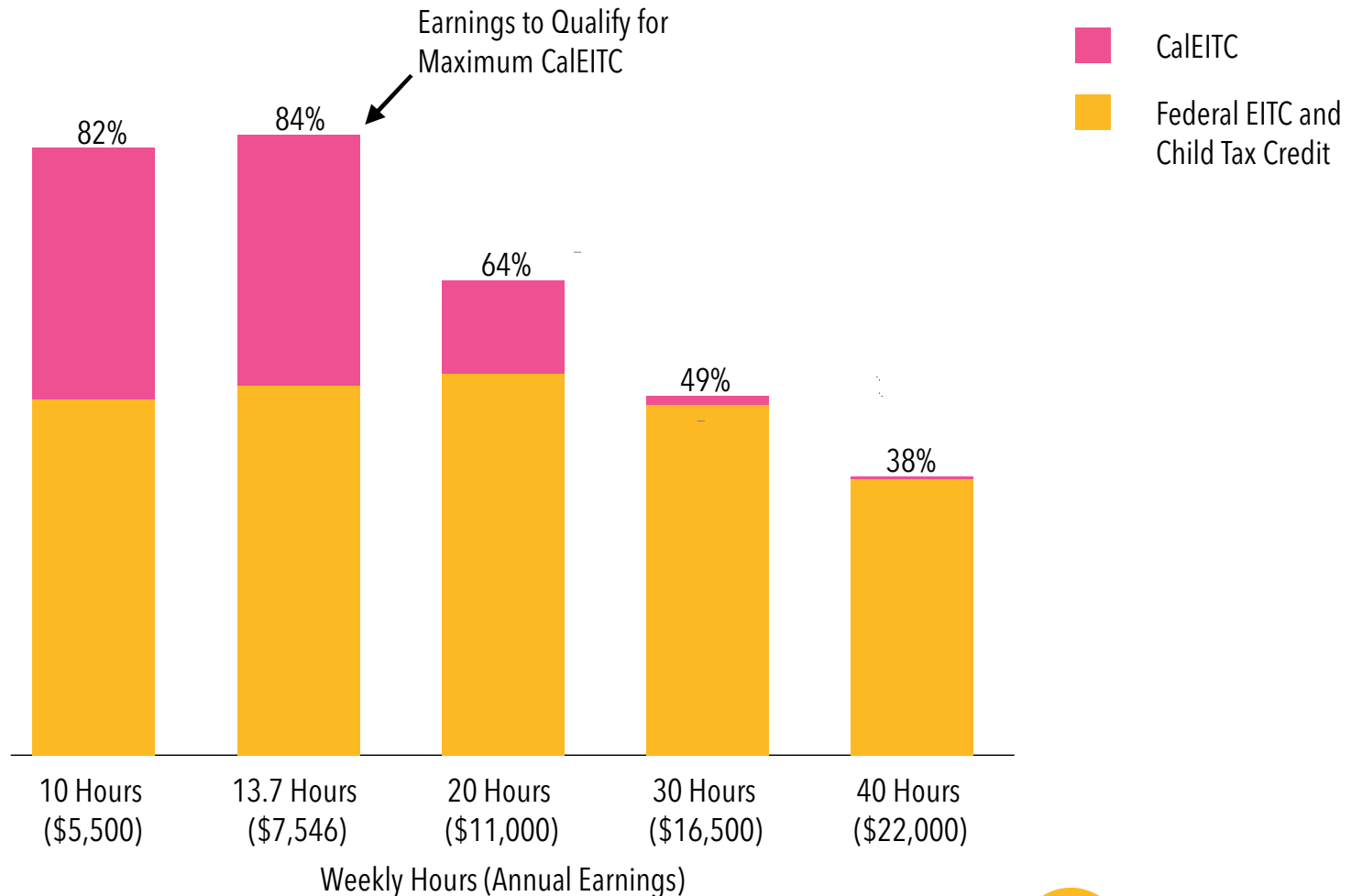
Number of Qualifying Children	Number of CalEITC Claims in Each Tax Year				Percent Change
	2015	2016	2017	2018	2015 to 2017
0	169,475	163,755	689,164	Not available until mid-2019	307%
1	107,406	100,734	438,731		308%
2	77,708	79,107	233,567		201%
3+	30,957	32,307	101,751		229%
Total	385,546	375,903	1,463,213		280%

# The Average CalEITC Declined in 2017 After the First Expansion Because Many Newly Eligible Tax Filers Qualified for Relatively Small Credits

Number of Qualifying Children	Average CalEITC				Percent Change
	2015	2016	2017	2018	2015 to 2017
0	\$102	\$104	\$70	Not available until mid-2019	-31%
1	\$630	\$632	\$271		-57%
2	\$1,023	\$1,045	\$514		-50%
3+	\$1,159	\$1,174	\$547		-53%
Total	\$520	\$535	\$234		-55%

# The CalEITC, Together With Federal Tax Credits, Significantly Boosts the Incomes of Families With Low Earnings From Work

Percent Increase in Income for Parents With Two Children, Tax Year 2018



Note: Assumes an \$11 hourly wage and 50 weeks of work per year.

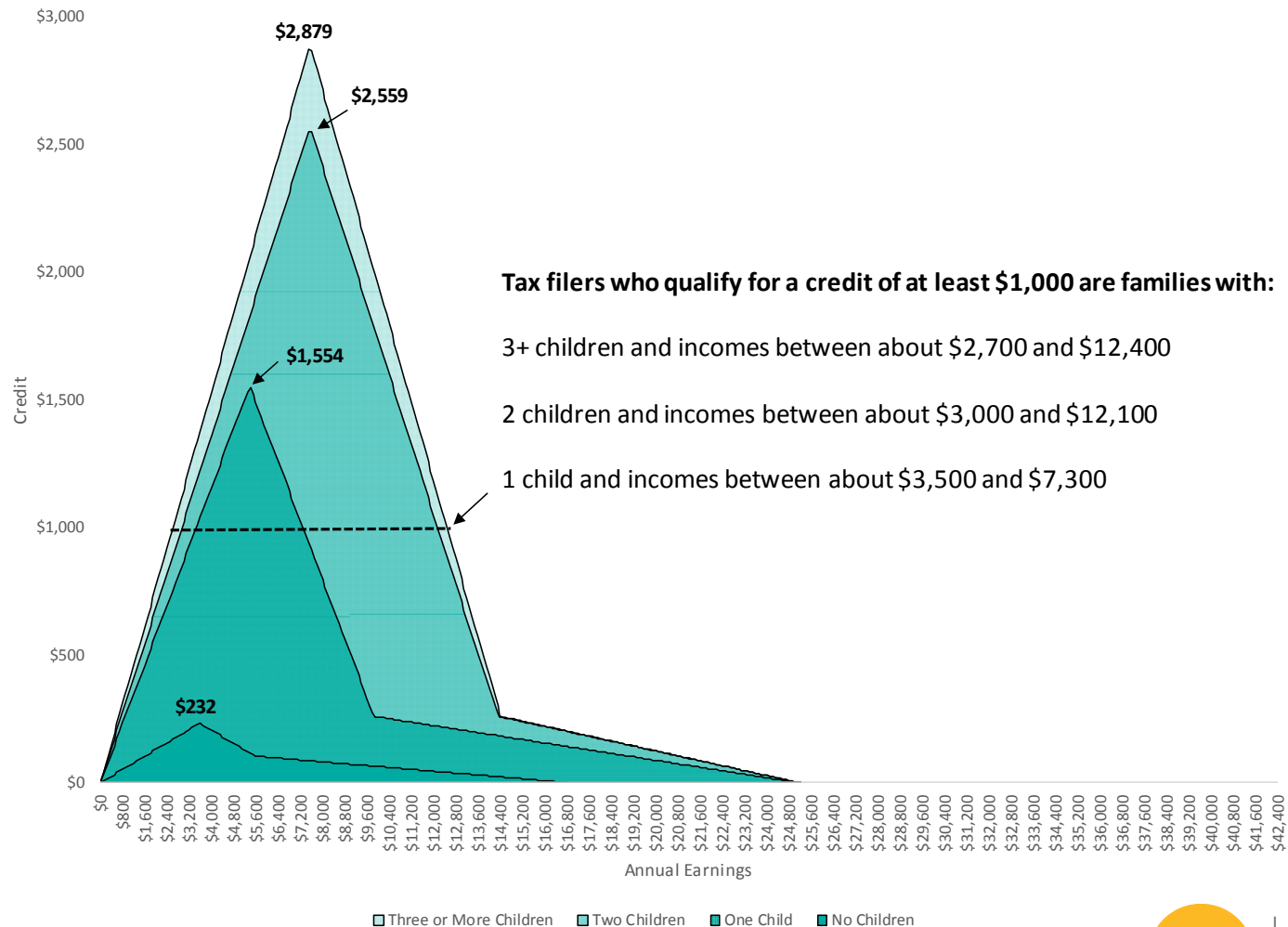
Source: Budget center analysis of Section 17052 of the California Revenue and Taxation Code and Section 32 of Title 26 of the Internal Revenue Code



# Key Features of the CalEITC

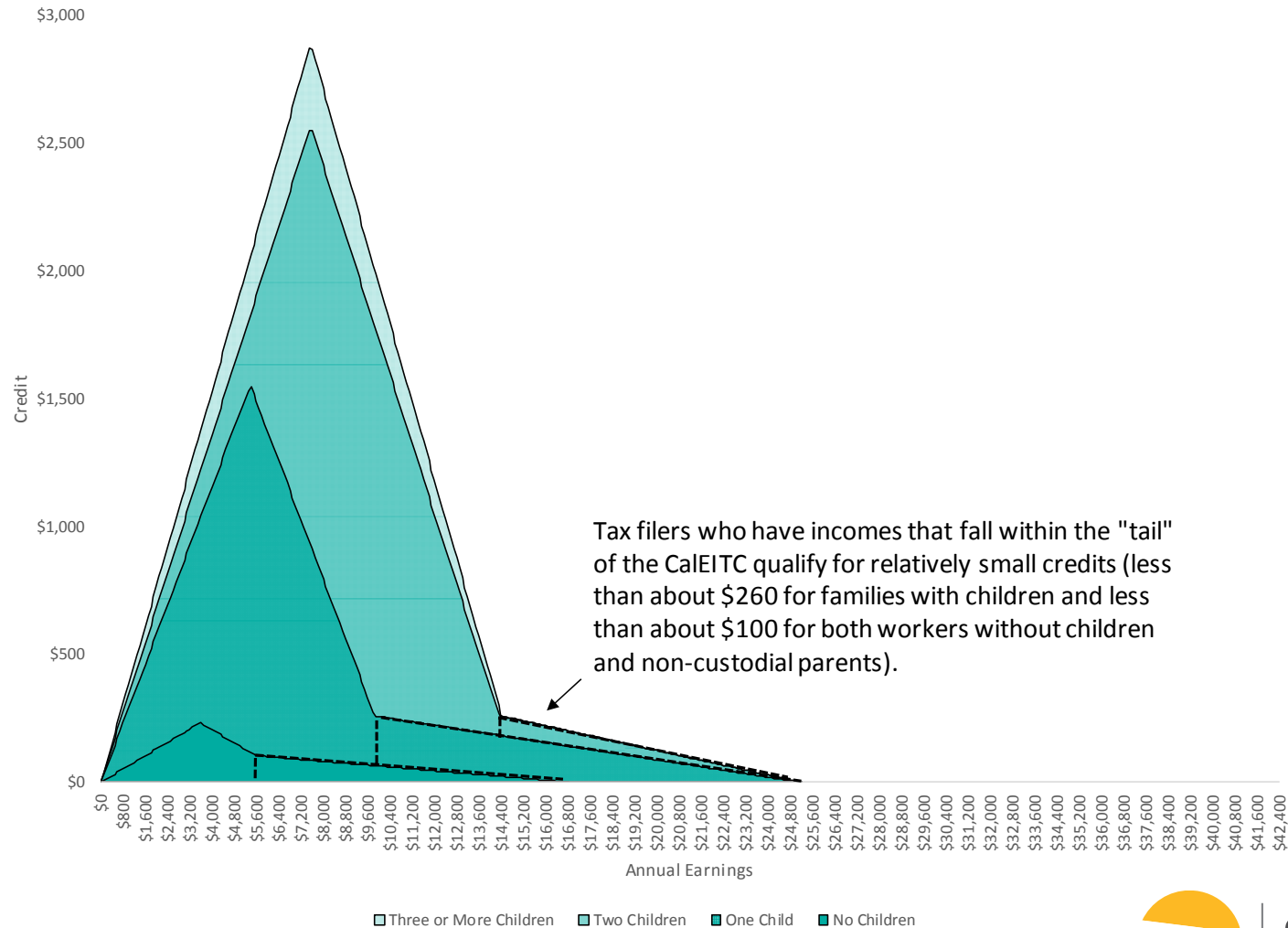


# The Maximum CalEITC for Families With Children Is Large, and Some Families With Very Low Incomes Qualify for a Credit of At Least \$1,000 (Tax Year 2018)

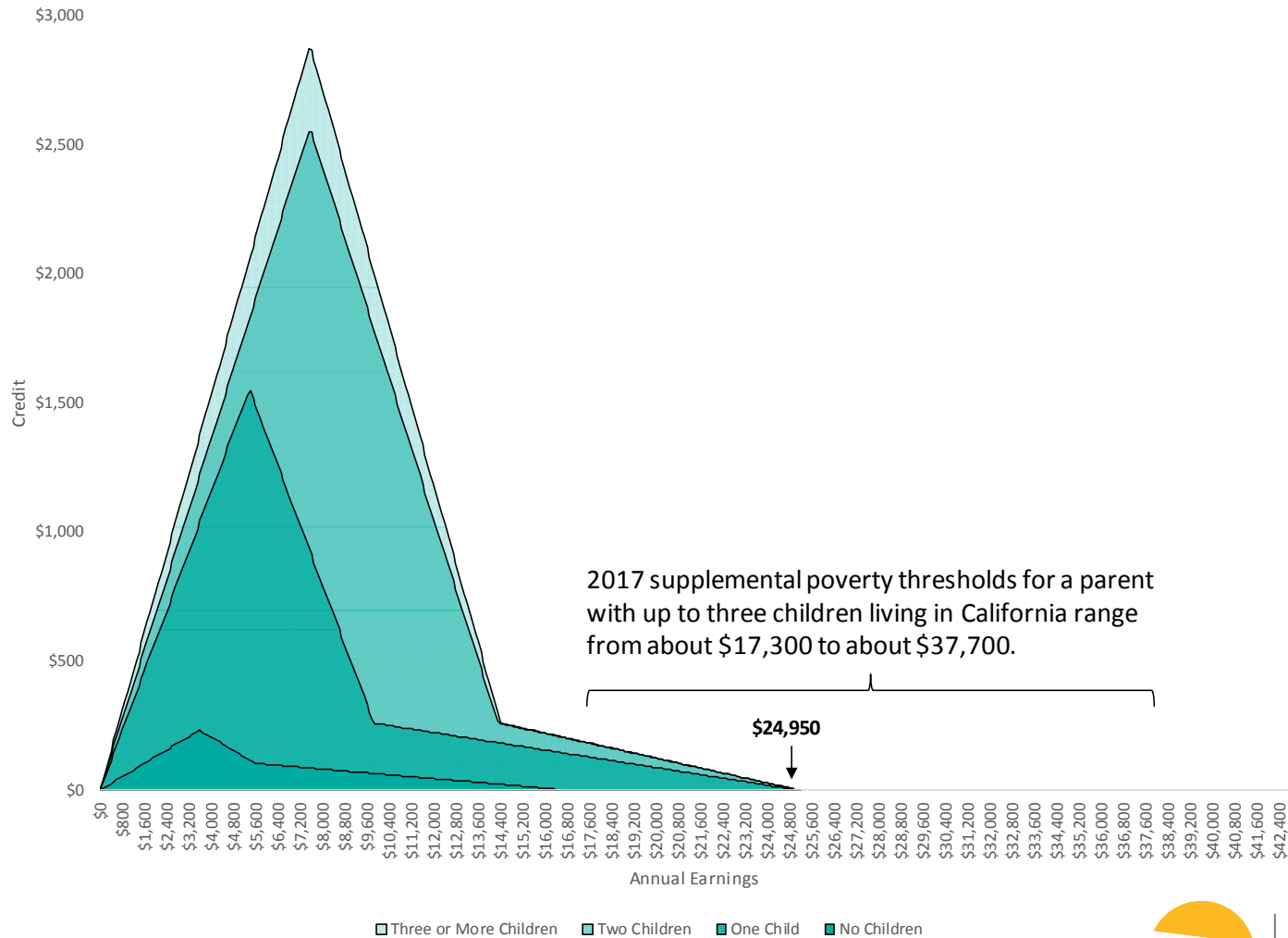




# Tax Filers Who Have Incomes That Fall Into the "Tail" End of the CalEITC Qualify for Relatively Small Credits (Tax Year 2018)



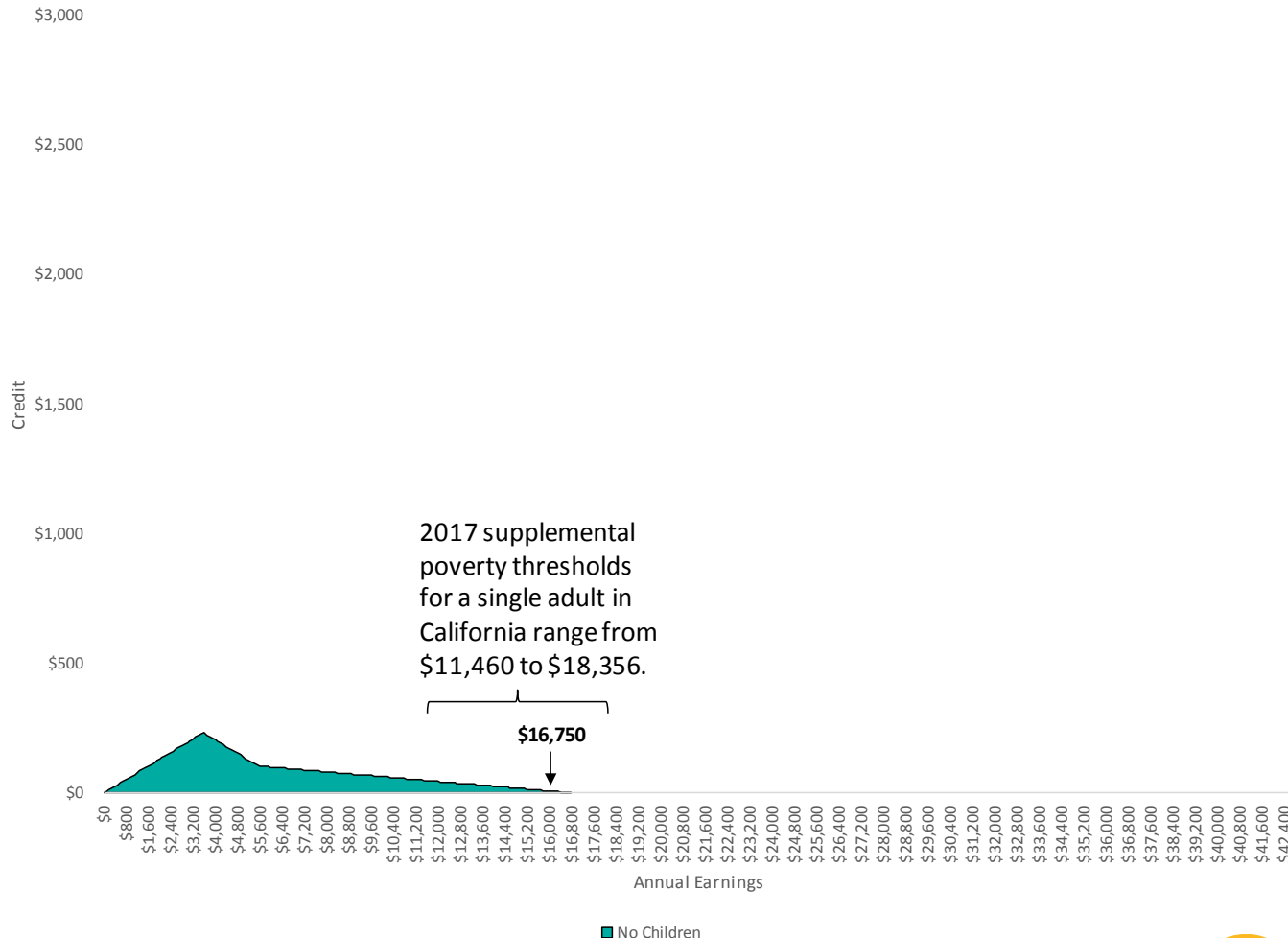
# For Families With Children, the Income Limit to Qualify for the CalEITC in Tax Year 2018 Is Below the Poverty Line in Many Parts of the State



Note: Poverty thresholds are for renters based on the Supplemental Poverty Measure.



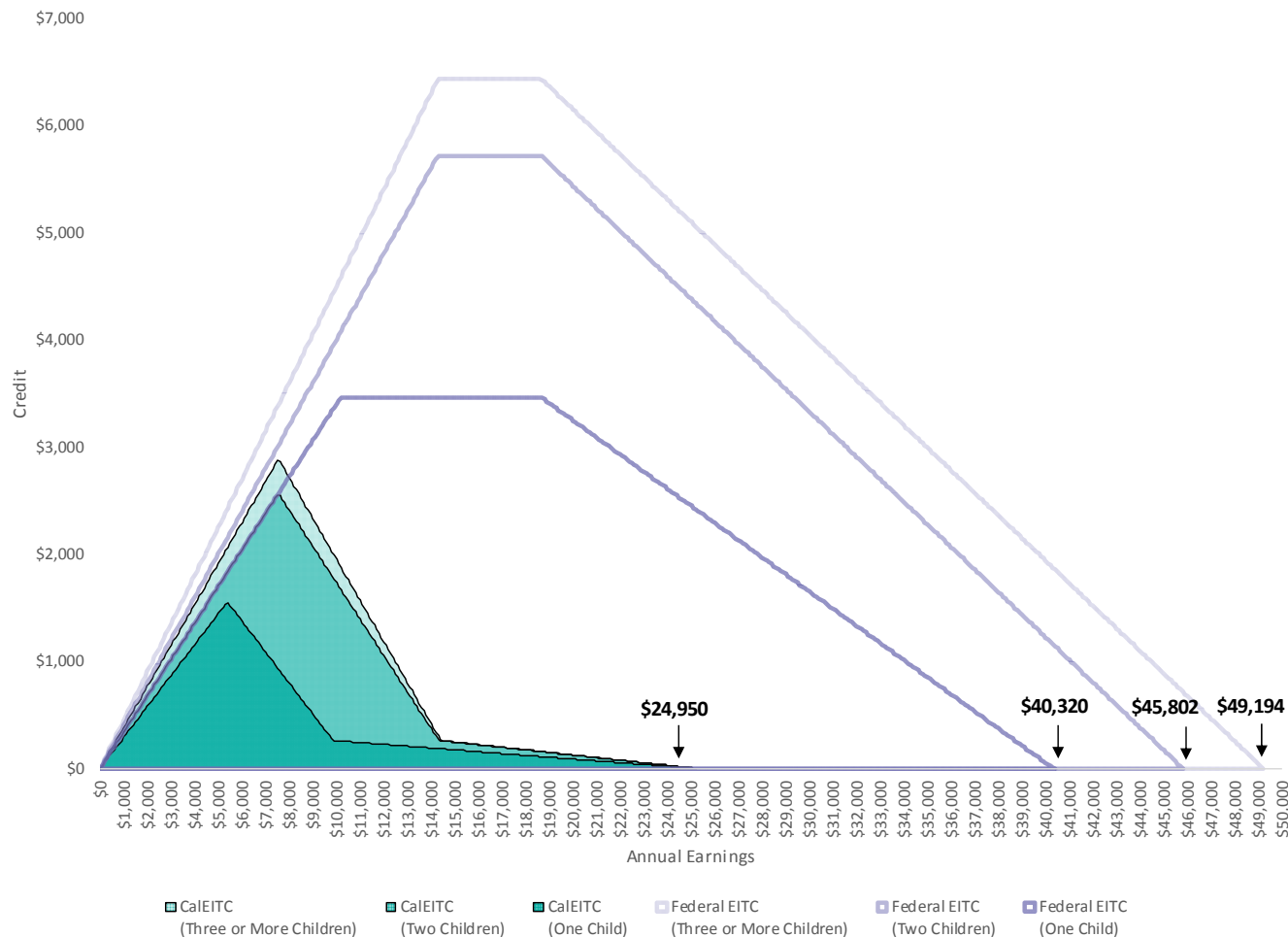
# For People Without Children, the Income Limit to Qualify for the CalEITC in Tax Year 2018 Is Below the Poverty Line in Some Parts of the State



Note: People without children includes non-custodial parents. Poverty thresholds are for renters based on the Supplemental Poverty Measure.



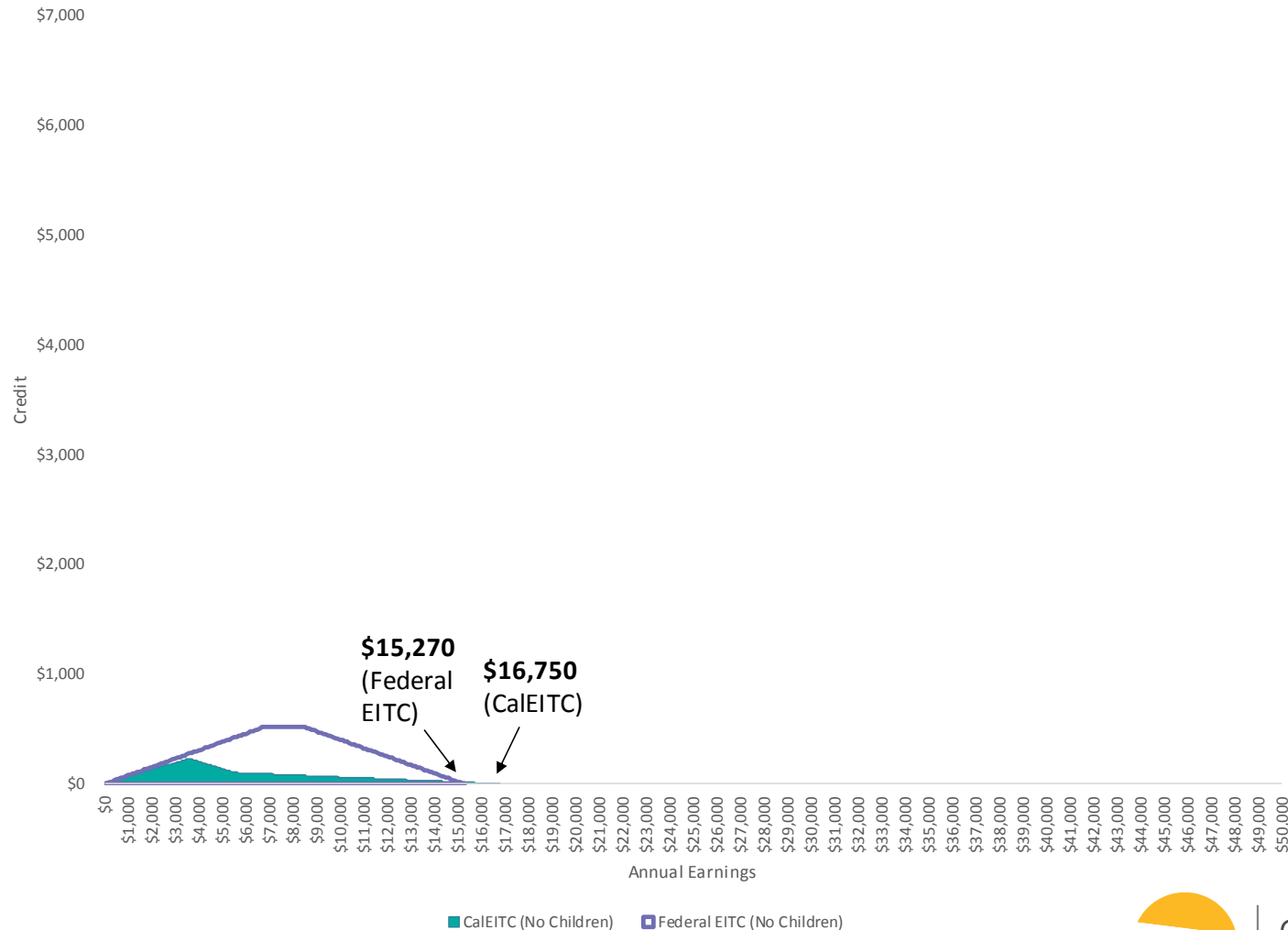
# For Families With Children, the Income Limit to Qualify for the CalEITC Is Considerably Lower Than the Income Limits to Qualify for the Federal EITC in Tax Year 2018



Note: Federal EITC is for head-of-household tax filers. CalEITC is for head-of-household and married filing-joint filers.



# For People Without Children, the Income Limit to Qualify for the CalEITC Is Slightly Higher Than That of the Federal EITC in Tax Year 2018



Note: People without children includes non-custodial parents. Federal EITC is for single tax filers. CalEITC is for single and married filing-joint filers.



# **Research Demonstrates Many Benefits of the Federal EITC for Families, Children, and Communities**

**The CalEITC builds on the success of the federal credit.**



# The Federal EITC Reduces Poverty and Economic Insecurity

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- By *directly* boosting families' incomes, the federal EITC, together with the Child Tax Credit, lifts more of the nation's children out of [poverty](#) than any other federal program.
- In California, these two credits lifted nearly 1.3 million people – including 643,000 children – out of poverty each year, on average, between 2015 and 2017, according to a Center on Budget and Policy Priorities analysis based on the Supplemental Poverty Measure.
- The federal EITC also *indirectly* boosts families' incomes by increasing employment. In fact, when this indirect effect of the EITC is taken into account, the credit reduces poverty among single mothers [nearly twice as much](#) as it does due solely to the direct impact of the credit.
- By building on the federal EITC, state EITCs further [reduce poverty](#), particularly among children. Larger state credits do more to reduce poverty than smaller state credits.



# The Federal EITC Boosts Employment

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- By [rewarding](#) work, the federal EITC significantly boosts employment among single mothers, according to a substantial [body of research](#). For example, studies find that expansions of the federal EITC in the 1990s:
  - [Raised employment](#) among single mothers more than the 1996 welfare law, which imposed strict [work requirements](#) on families receiving cash assistance.
  - Significantly [increased](#) the number of families moving from cash welfare assistance to work.
- **Research also links the federal EITC to increased earnings in the long-run.** Single mothers of young children who had access to a more generous EITC during the first 17 years of adulthood worked more hours and had higher earnings at age 40, according to one [study](#).





# The Federal EITC May Improve Health

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- **The federal EITC may improve health for mothers and babies,** according to several [studies](#). For example, following federal EITC expansions in the 1990s:
  - Infants born to mothers who likely received the largest increases in the credit had the greatest [improvements](#) in health measures, such as birth weight, which is a key [predictor](#) of health and economic well-being in adulthood.
  - Mothers experienced [improved](#) health, including reduced stress – an important outcome given the [negative effects](#) that maternal stress may have on children’s development.
- **The Centers for Disease Control considers the federal EITC a “[non-clinical intervention](#)”** that can improve the health of communities by improving living conditions that are associated with poor health.



# State EITCs Have Also Been Linked to Better Health

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- **State EITCs are also associated with better health for children**, including increased [birth weights](#) and improved [health status](#).
  - These findings are important because considerable evidence links poor health during childhood to lower [educational attainment](#) and lower future [earnings](#) as well as to poor [health](#) during adulthood.
- **State EITCs are also associated with increased [health-related quality of life and longevity](#) among people with low incomes.**



# The Federal EITC May Boost Children's School Achievement

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- **Several [studies](#) find that the federal EITC may improve school achievement and increase educational attainment for children.** For example, children in families who received larger EITCs:
  - Scored better on reading and math tests, with higher scores for younger children, according several studies, including this [one](#) and this [one](#).
  - Were more likely to complete high school, attend college, be employed as a young adult, and earn more, according to other studies, such as this [one](#) and this [one](#).
- **Children whose families received larger credits from the federal EITC during the spring of their senior year in high school were more likely to enroll in college**, according to new [research](#).



# The Federal EITC May Increase Children's Future Earnings

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- **Boosting low-earning families' incomes, particularly when children are young, is linked to higher earnings when they grow up**, according to [research](#). For example:
  - Children whose families received an additional \$3,000 annually (in 2005 dollars) between their prenatal year and fifth birthday earned 17% more, on average, each year in early adulthood, compared to similar children whose families did not receive additional income, according to one [study](#).
  - Children whose families' incomes increase because they benefit from the federal EITC, specifically, may earn more as adults because the credit is linked to greater school achievement, according to another [study](#).



# The Federal EITC Boosts California-Based Businesses and the State's Economy

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- **The federal EITC helps support California [jobs and businesses](#) and provides a boost to local communities.**
  - The federal EITC benefited more than [3 million](#) Californians and brought [\\$7.2 billion](#) in federal funds into the state in 2016.
  - Since most people spend their credit on short-term or medium-term [needs](#), the federal EITC creates a ripple effect in local communities. Families' spending boosts business sales, which supports jobs and increases state and local revenues.



# The CalEITC Builds on the Success of the Federal EITC

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- **Many of the positive effects that research has found for the federal EITC are likely to apply to the CalEITC as well.**
- **Most filers eligible for the CalEITC are also eligible for federal refundable tax credits, creating potential for enhanced positive effects.**
  - The combined resources of the federal EITC and CalEITC may magnify the effects of the federal EITC alone on poverty, employment, and other outcomes.
  - If the CalEITC encourages individuals to file federal taxes as well and claim federal credits like the EITC and Child Tax Credit, families' resources increase further and more dollars flow into California to stimulate the state economy.



# **The Governor's Proposed 2019-20 Budget Would Significantly Expand the CalEITC.**

**If approved, this expansion would be the  
largest since the credit was established.**



# The Proposed Budget Significantly Expands the CalEITC

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- **Beginning in tax year 2019, the Governor's proposal would:**
  - Extend the credit to an estimated 1 million additional tax filers (bringing the total to an estimated 3 million).
  - Increase the size of the credit for many filers who currently qualify for small credits.
- **These two changes combined would more than double the total amount of credits provided** from around \$400 million in tax year 2018 to \$1 billion in tax year 2019, according to the Administration.





# The Proposed Budget Intends to Fully Offset the Cost of the Expanded CalEITC

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- **The Administration also proposes that California conform to several provisions of the federal Tax Cuts and Jobs Act (TCJA).** The intent of this proposal is to raise revenue each year to fully offset the cost of an expanded CalEITC.
  - The TCJA primarily cut taxes for the wealthy and corporations, but it included some [reasonable](#) changes that raise federal revenue and would also increase *state* revenue if California conforms to them.
  - [Conforming](#) to these parts of the TCJA would make California's tax code fairer, offset some of the inequitable aspects of the TCJA, and make significant funding available to support investments in Californians with low and moderate incomes.



# The Proposed Budget Raises the Income Limits to Qualify for the CalEITC

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- **The maximum annual income to qualify for the CalEITC would increase to \$30,000** – roughly equal to full-time, year-round earnings at a \$15 hourly wage, which will be the state minimum wage as soon as 2022.
  - Currently, the annual income limit for tax filers supporting children is \$24,950. The income limit would increase modestly (by 20%) for these filers.
  - Currently, the annual income limit for both tax filers without dependent children and non-custodial parents is \$16,750. The income limit would increase substantially (by 79%) for these filers.



# Raising the Income Limits Would Allow More Low-Earning Tax Filers to Benefit

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- **Raising the CalEITC income limits would extend the credit to additional tax filers who are struggling to make ends meet.** Families and individuals who earn too much to qualify for the CalEITC based on the current income limits likely have difficulty paying for [basic needs](#), particularly in high-cost parts of the state, and could benefit from additional income.
- **A higher CalEITC income limit would also preserve eligibility for minimum-wage workers.** The current limit allows families to qualify for the credit if they work full-time, year-round at a \$12-per-hour wage. If this limit is not increased, these families will lose eligibility for the credit as the state's minimum wage rises to \$15 per hour.



# The Proposed Budget Increases the CalEITC for Many Who Currently Qualify for Small Credits

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- **Tax filers with incomes in the “tail” end of CalEITC, who are currently eligible for small credits, would see their credit increase substantially.** For instance:
  - A family with two children and annual earnings of \$16,500 (equivalent to 30 hours of work per week, year-round at the current minimum wage) would see their CalEITC *nearly triple*, increasing by an estimated **\$397**, from \$208 to \$605.
  - A family with one child and earnings of \$16,500 would see their CalEITC *more than triple*, increasing by an estimated **\$328**, from \$147 to \$475.
  - Individuals with no children and who earn \$16,500 per year would see their CalEITC increase substantially by an estimated **\$116**, from \$3 to \$119.



# The Proposed Budget Provides an Additional \$500 to Families With Young Children

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- **Families with at least one child under age 6 and earnings up to \$28,000 would qualify for an additional \$500.** This additional credit would be on top of the increased CalEITC for families with incomes in the “tail” end of the credit.
  - A family with two children and annual earnings of \$16,500 would see their CalEITC increase by an estimated **\$897**, from \$208 to \$1,105.
  - The maximum CalEITC for families with at least one young child would increase by \$500 to an estimated:
    - \$3,379 for those with three or more children;
    - \$3,059 for those with two children; and
    - \$2,054 for those with one child.
- **This additional \$500 would function like a child tax credit for working low-income families with young children.**



# Increasing the CalEITC Would Provide a More Meaningful Credit to Low-Earning Workers

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- **Increasing the size of the CalEITC would provide a more meaningful credit to low-earning workers.** For example:
  - A parent with an infant and annual earnings of \$16,500 could qualify for an estimated *\$828 more* from the CalEITC under the Governor's proposal. This would likely cover the full-year cost of disposable diapers – a significant expense for low-earning families.
- **Providing an additional credit to families with young children is supported by research.** Studies find that increasing low-income families' [incomes](#) is linked to improved outcomes for children, particularly if families receive income boosts when their children are [young](#).



# Boosting Low-Income Families' Incomes Can Improve Children's Life Chances

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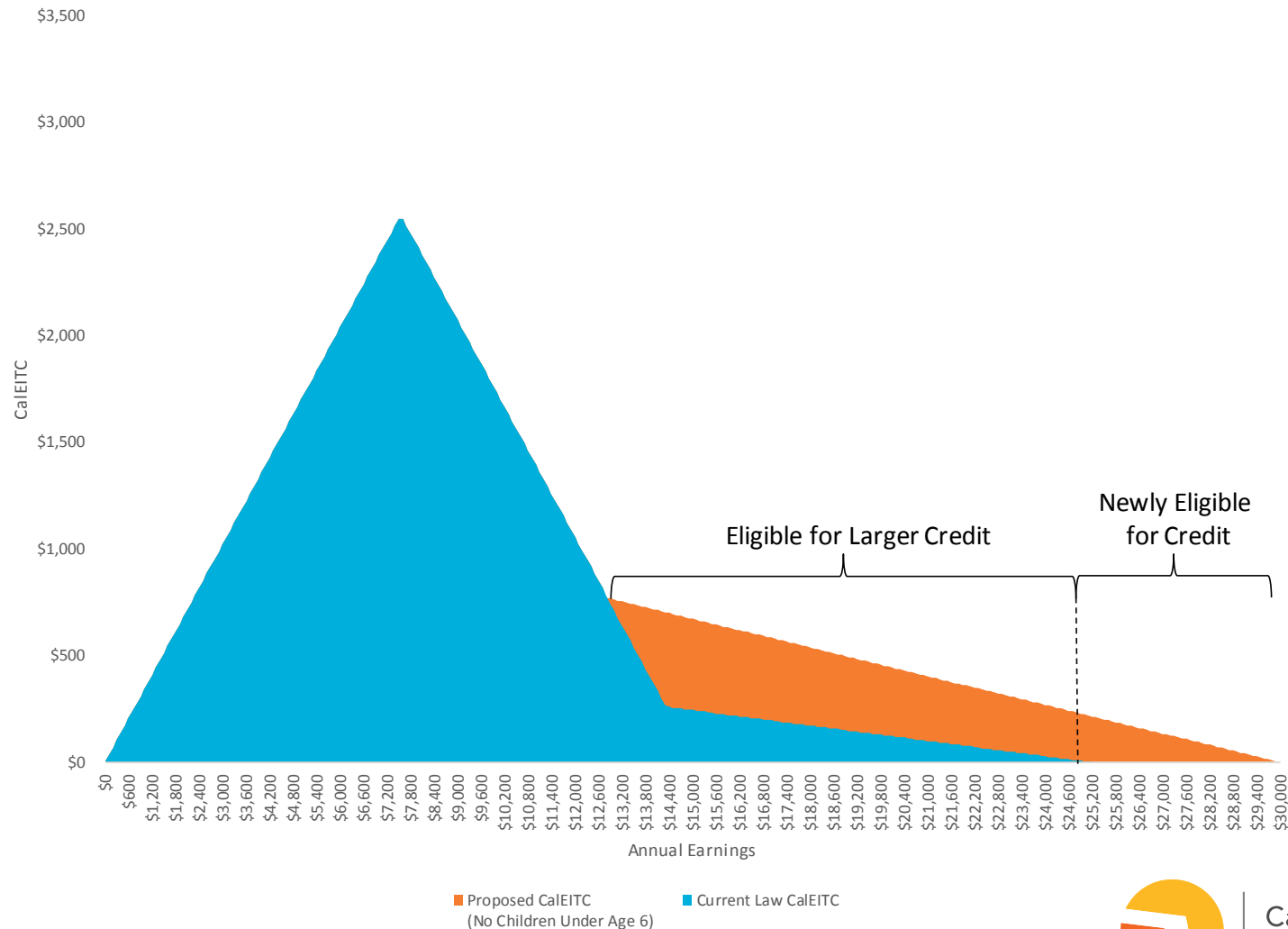


For each **\$3,000 a year** in added income that children in low-income families received before age 6...

...their **annual earnings** between ages 25 and 37 **increased by 17%.**

# The Proposed Budget Extends the CalEITC to More Tax Filers and Increases the Size of the Credit

CalEITC for Parents With Two Children, Tax Year 2018



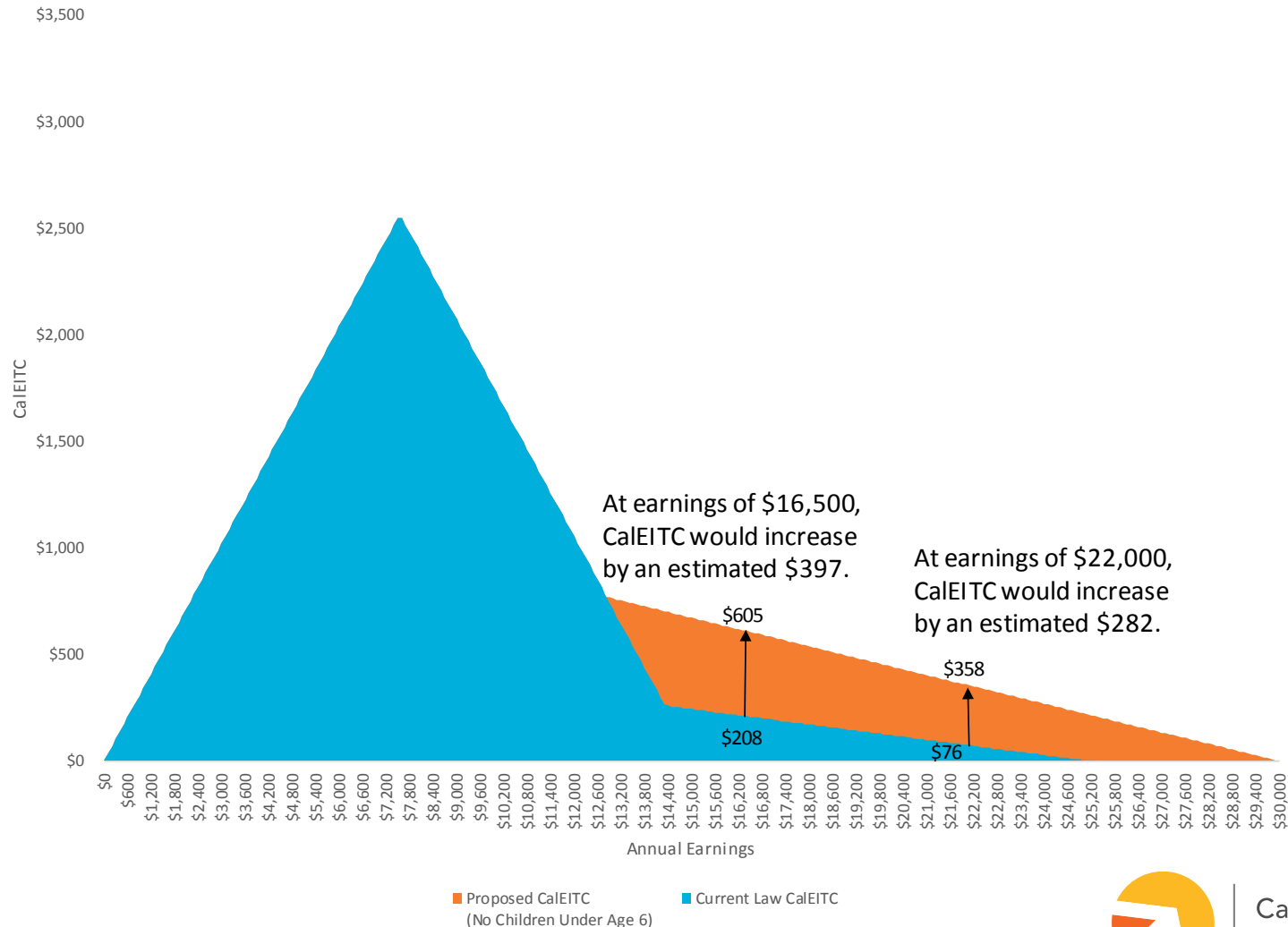
Source: Budget Center analysis based on personal communication with Department of Finance





# The Proposed Budget Increases the Size of the CalEITC for Many Who Currently Qualify for Small Credits

CalEITC for Parents With Two Children, Tax Year 2018

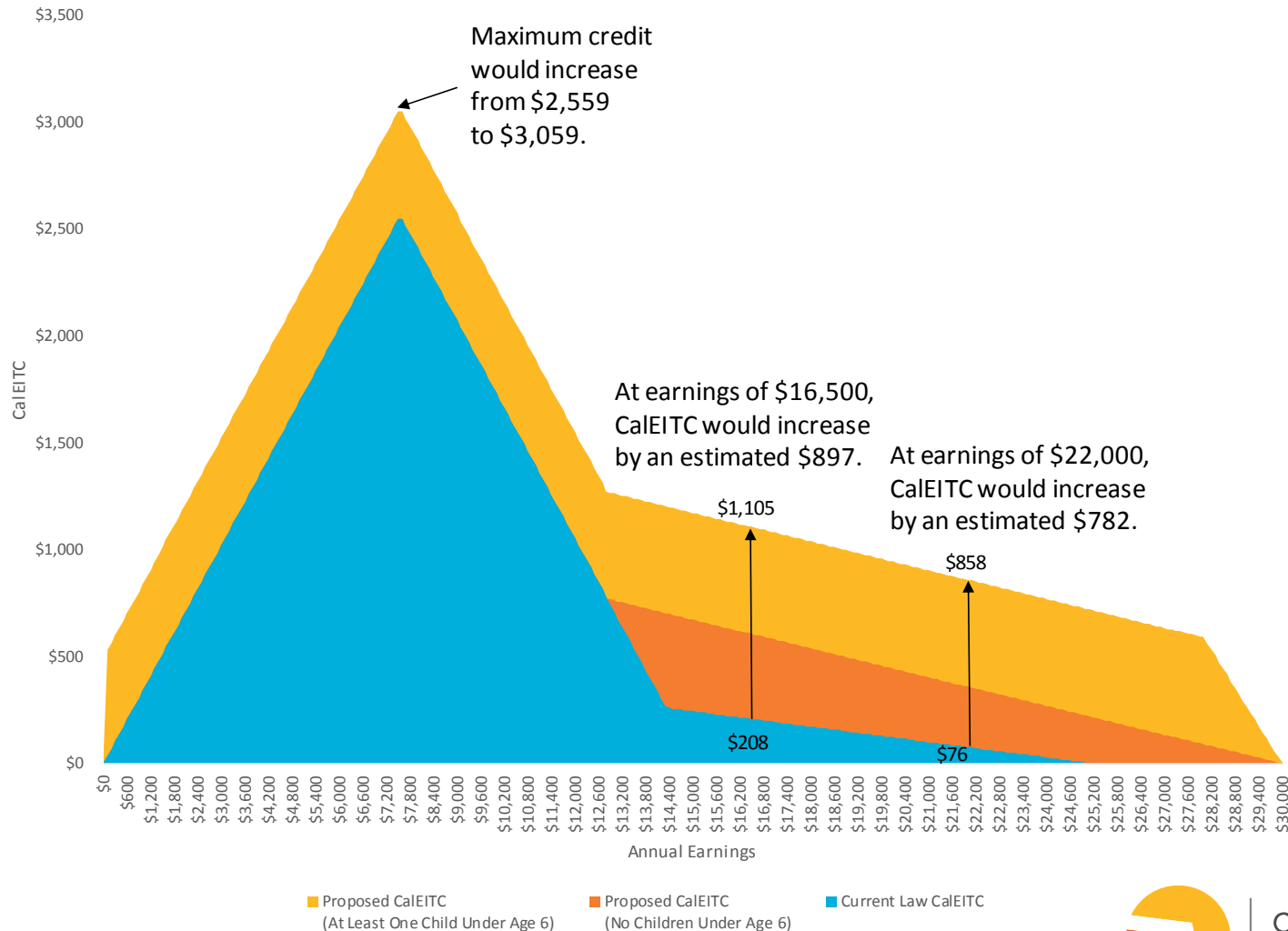


Source: Budget Center analysis based on personal communication with Department of Finance



# The Proposed Budget Provides an Additional \$500 to Families With At Least One Child Under Age 6

## CalEITC for Parents With Two Children, Tax Year 2018

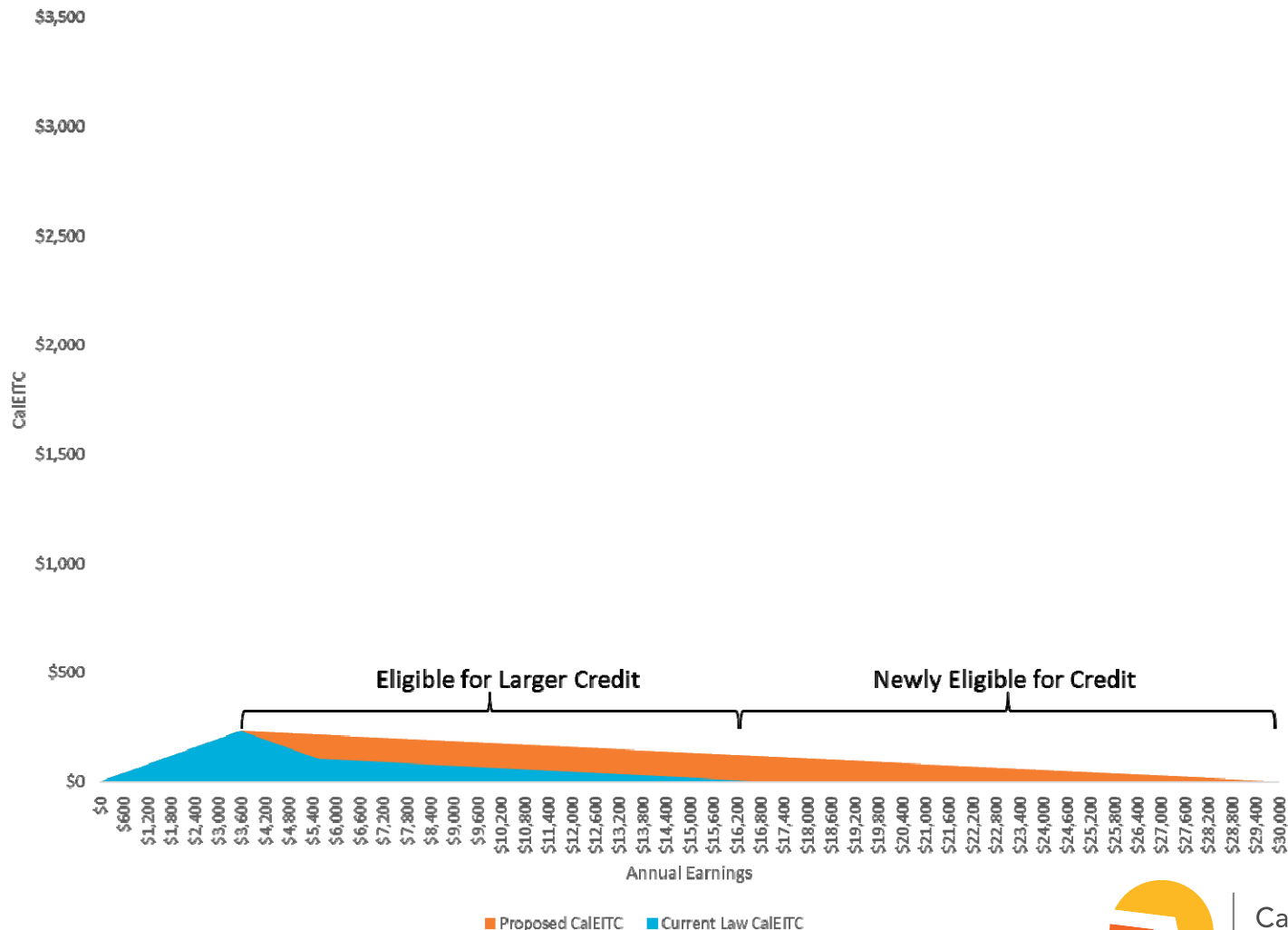


Source: Budget Center analysis based on personal communication with Department of Finance



# The Proposed Budget Extends the CalEITC to More Tax Filers and Increases the Size of the Credit

CalEITC for Workers Without Children and Non-Custodial Parents, Tax Year 2018

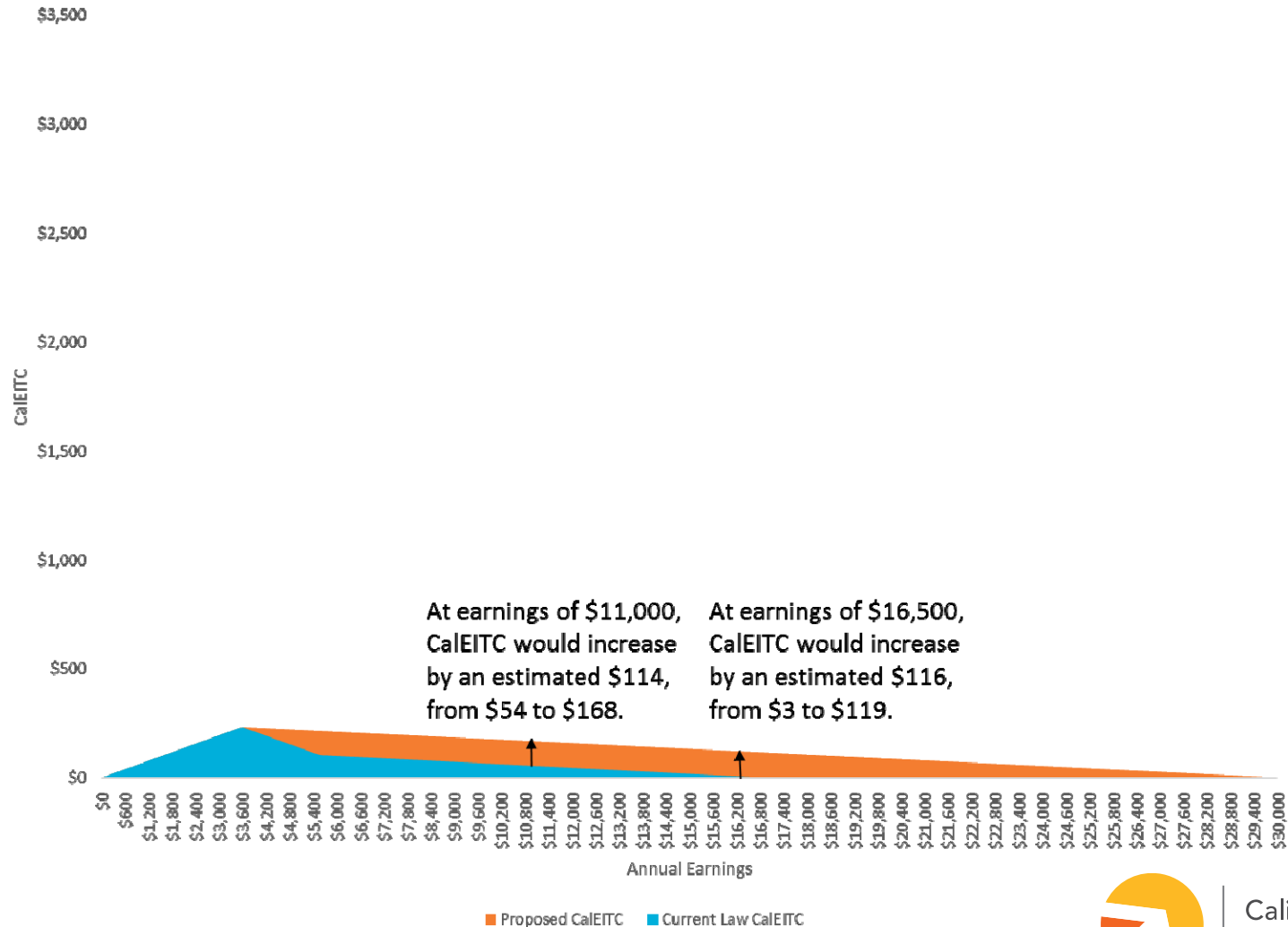


Source: Budget Center analysis based on personal communication with Department of Finance



# The Proposed Budget Increases the Size of the CalEITC for Many Who Currently Qualify for Small Credits

CalEITC for Workers Without Children and Non-Custodial Parents, Tax Year 2018



Source: Budget Center analysis based on personal communication with Department of Finance



# The Proposed Budget Includes Several Other Provisions Related to the CalEITC

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- **The Governor's proposal also:**
  - Expresses the Administration's intent to explore how to allow tax filers to receive the CalEITC (or a portion of it) in monthly payments.
  - Provides \$5 million one-time General Fund "to provide matching funds to nonprofits, community-based organizations, or governmental entities that provide increased awareness of the [CalEITC] and free tax preparation assistance to eligible families and individuals." The 2019-20 budget package included \$10 million General Fund for a similar purpose.

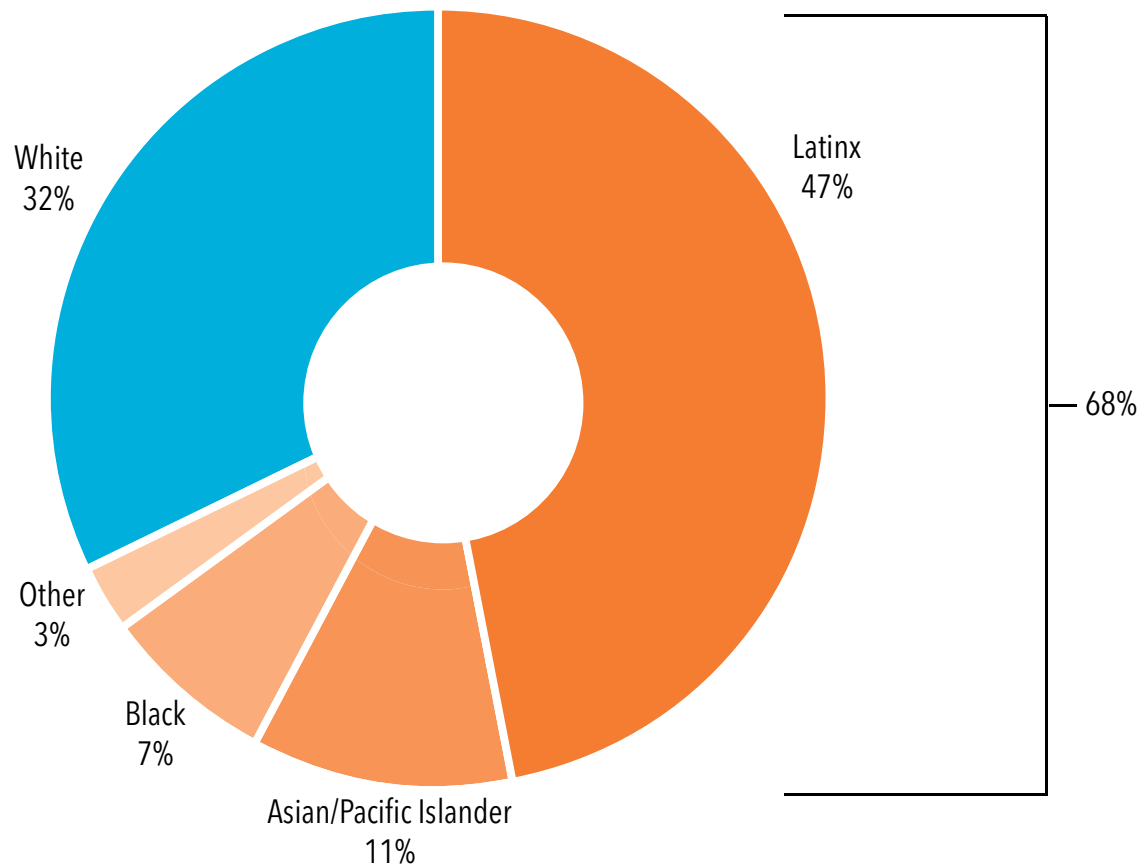


# **The Governor's Proposed CalEITC Expansion Would Particularly Benefit People of Color and Women With Young Children**



# More Than 2 in 3 Workers Who Could Benefit From the Governor's CalEITC Proposal Are People of Color

Race/Ethnicity of Filers Eligible for New/Larger CalEITC Under Governor's Proposal

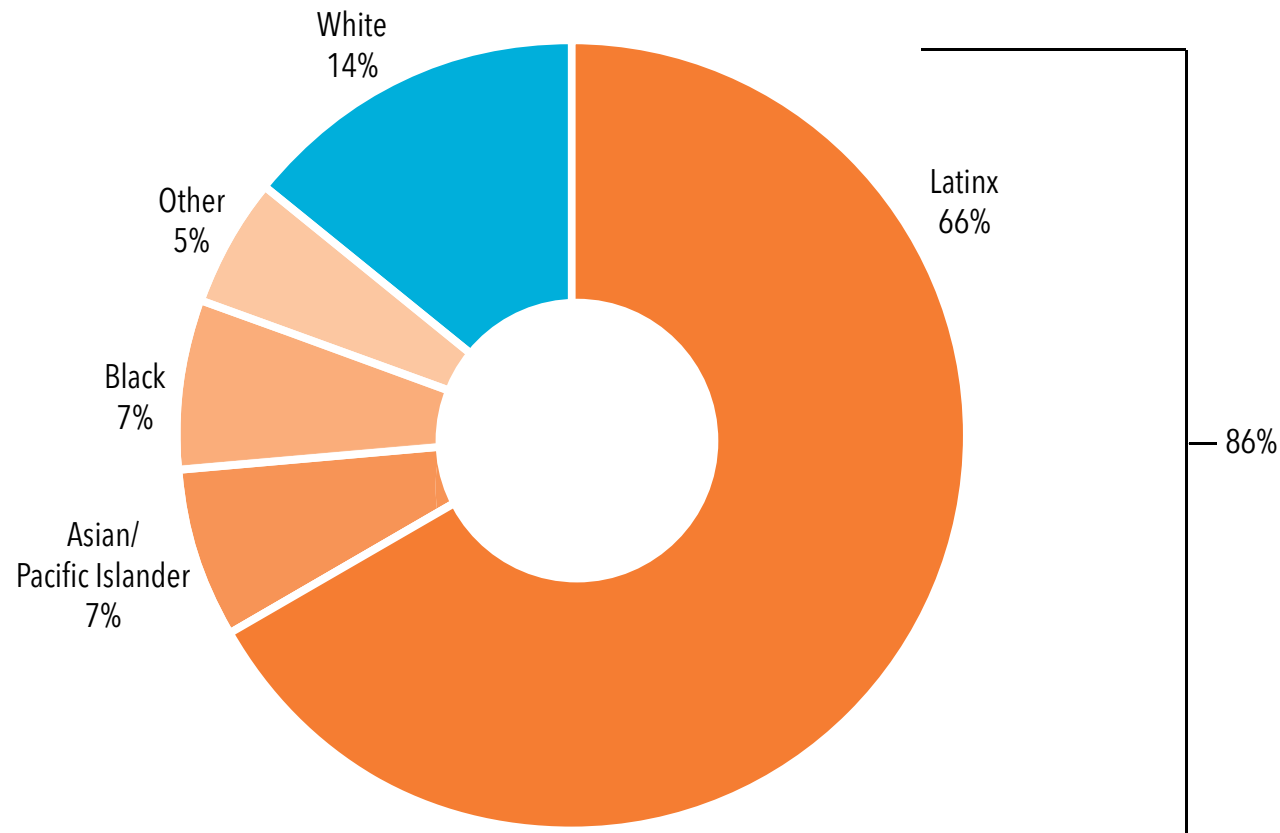


Note: Analysis uses an income tax simulation model developed for the California Poverty Measure, a joint project of the Stanford Center on Poverty & Inequality and the Public Policy Institute of California. Based on CalEITC parameters as of tax year 2018, modeled in 2016 population data, with the CalEITC expansions proposed in Governor Newsom's January 2019 budget proposal. Source: Budget Center analysis of US Census Bureau, American Community Survey data



# More Than 8 in 10 Children Who Could Benefit From the Governor's CalEITC Proposal Are Children of Color

Race/Ethnicity of Children Benefiting From New/Larger CalEITC Under Governor's Proposal



Note: Analysis uses an income tax simulation model developed for the California Poverty Measure, a joint project of the Stanford Center on Poverty & Inequality and the Public Policy Institute of California. Based on CalEITC parameters as of tax year 2018, modeled in 2016 population data, with the CalEITC expansions proposed in Governor Newsom's January 2019 budget proposal. Numbers do not sum due to rounding.

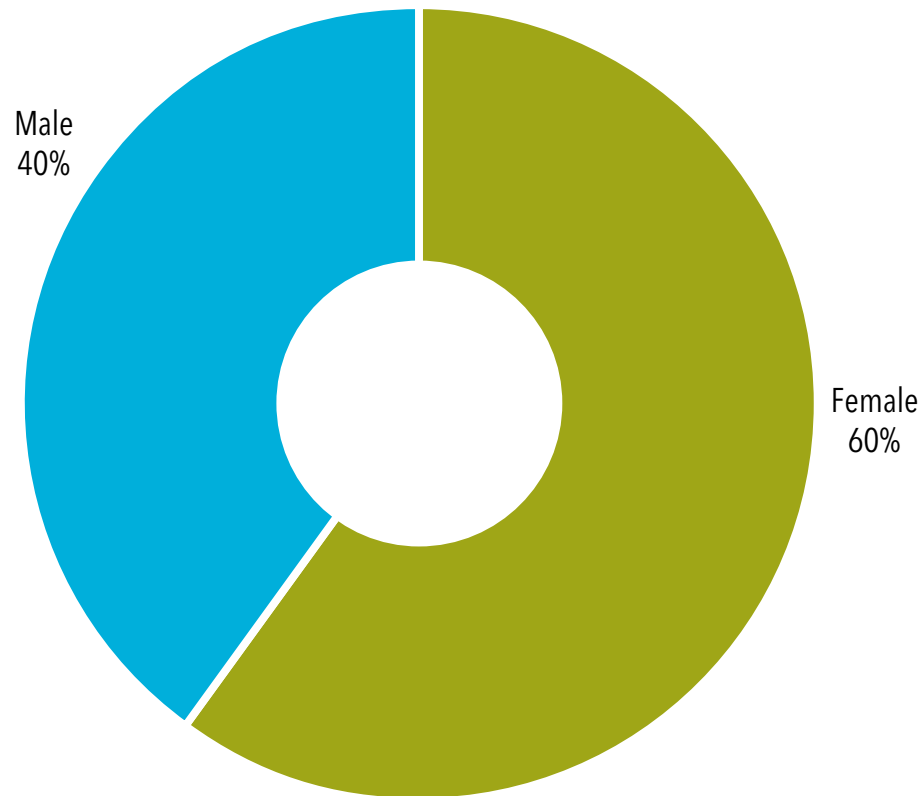
Source: Budget Center analysis of US Census Bureau, American Community Survey data





# Women Make Up 6 in 10 Filers With Children Under Age 6 Who Could Benefit From the Governor's CalEITC Proposal

Gender of Filers With Children Under Age 6 Eligible for New/Larger CalEITC Under Proposal



Note: Analysis uses an income tax simulation model developed for the California Poverty Measure, a joint project of the Stanford Center on Poverty & Inequality and the Public Policy Institute of California. Based on CalEITC parameters as of tax year 2018, modeled in 2016 population data, with the CalEITC expansions proposed in Governor Newsom's January 2019 budget proposal. Source: Budget Center analysis of US Census Bureau, American Community Survey data



# **Additional Ways Policymakers Could Build on and Strengthen the CalEITC**



# Some Low-Income Californians Who Work and Pay Taxes Are Excluded From the CalEITC

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- **In order to claim the CalEITC, tax filers and all of the children they claim must have a Social Security Number (SSN) that is valid for work.** This means that:
  - Many working immigrants who file their taxes with an Individual Taxpayer Identification Number (ITIN) or a SSN that is not valid for work, as well as many US-born children who have immigrant parents, cannot benefit from the credit.
  - Californians who lose immigration relief such as Deferred Action for Childhood Arrivals (DACA) and Temporary Protected Status (TPS) due to federal actions will no longer qualify for the CalEITC.
- **Policymakers could ensure that these Californians have access to the CalEITC by allowing tax filers to claim the credit using a federally assigned ITIN or any federally assigned SSN.**



# The CalEITC Could Be Modified to Provide a Child Allowance or Serve as a Broader “Caregiver” Credit

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- **The Governor’s proposed \$500 “bonus” credit for families with young children could become a child allowance for all children in families with low incomes.**
  - Many rich nations provide some form of child allowance – a monthly cash payment to families for each child in the home, regardless of whether the family has earnings from work. These policies are highly effective in reducing child poverty.
  - The CalEITC could provide a young child allowance by simply extending the Governor’s proposed \$500 “bonus” credit to families with young children and no earnings from work.
- **The \$500 “bonus” credit could also be viewed as a “caregiver” credit that recognizes families’ unpaid caregiving work.** As such, the Governor’s proposed \$500 credit could be broadened, by providing it to families caring for dependent older adults in addition to those caring for young children.



# An Optional Deferred Monthly Payment of the CalEITC Presents No Financial Risk to Tax Filers

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- **A monthly payment of the CalEITC could be deferred or advanced.**
  - **A deferred payment, which allows filers to receive their credit as monthly payments *after* filing their taxes, presents no financial risk.** This could function as a savings tool for filers who are financially stable enough to defer their refunds. Deferring payments should be optional because some filers may need or prefer a lump-sum payment.
  - **In contrast, an advanced payment, which allows filers to receive their credit as monthly payments *before* filing their taxes, presents significant financial risk.** Filers eligible for credits large enough to justify advanced payments work part-time and/or part-year, making it difficult to predict their income in advance. This could lead to a large overpayment of the credit, which filers would then have to pay back, because small changes in income can cause large changes in credit.



# Expanding Free Tax Preparation Services Could Help More People Get the Full Benefit of Their Tax Refunds

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- The **majority** of tax filers who claim the CalEITC pay a **commercial preparer to file their taxes**. This means that many low-income tax filers are likely losing a substantial share of their tax refunds to tax preparation fees.
- Only **2%** of California tax filers who claim the federal EITC use **free tax preparation services**, such as Volunteer Income Tax Assistance (VITA) programs, even though most probably qualify for free assistance. In part, this reflects the fact that VITA sites lack the capacity to meet the demand for their services, according to United Ways of California.
- A **modest** state investment in VITA could expand the number of free tax prep sites in underserved areas and allow existing sites to serve more clients. This would help more tax filers to get the full benefit of their refund.



# **Expanding the CalEITC Would Allow More People to Share in California's Prosperity**



## The Bottom Line: Expanding the CalEITC Would Allow More People to Share in California's Prosperity

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- **Earned income tax credits are proven policies.** They not only increase families' economic security, they may even contribute to a better future for low-income children.
- **The Governor's proposed expansion of the CalEITC would help more low-income families make ends meet.** People of color and women with young children would especially benefit.
- **Policymakers could further build on and strengthen the CalEITC by:**
  - Ensuring that working immigrant families who file their taxes can benefit from the credit;
  - Modifying the credit to provide a child allowance for *all* low-income families and/or a caregiver credit to families caring for older adult relatives;
  - Allowing tax filers to opt in to deferred monthly payments;
  - Expanding tax filers' access to free tax preparation services.







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