California Budget & Policy Center
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Fact Sheet
JANUARY 2020

BY KAYLA KITSON

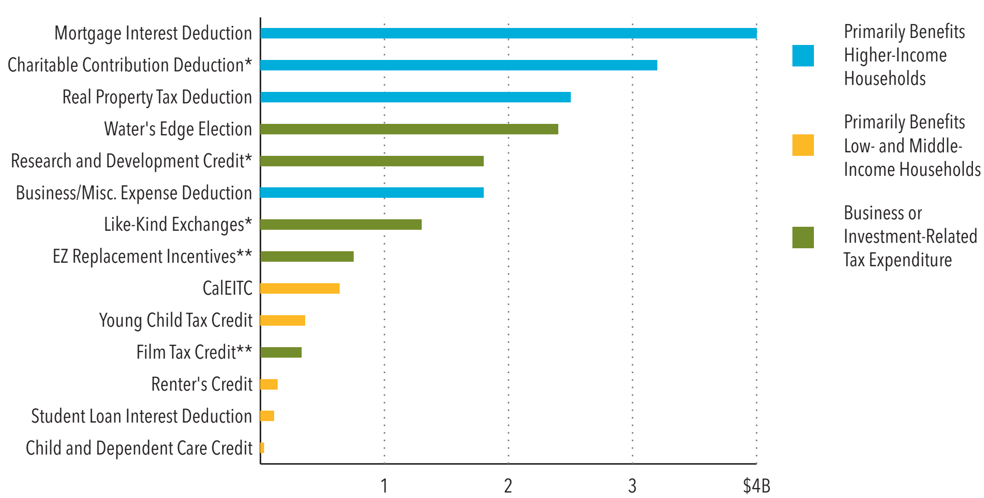
California Loses More Than $60 Billion Through Tax Breaks Each Year, Much of It to High-Income Households and Corporations

California will lose an estimated $63 billion in state revenues in 2019-20 to personal and corporate income tax breaks – or "tax expenditures." Many of the state's largest tax expenditures primarily benefit higher-income households and businesses, while just a fraction of the state's expenditures benefit Californians with low and middle incomes. This revenue loss equals more than 40% of the state's 2019-20 General Fund budget and represents dollars that the state could otherwise use to help Californians trying to live, work, and thrive across the state.

The state will forego more than $18 billion in revenue due to just four itemized deductions that mostly benefit higher-income households and five tax incentives for businesses and investors (see charts). In comparison, California will spend less than $1.3 billion combined on tax credits that primarily benefit low- and middle-income households, including the California Earned Income Tax Credit (CalEITC), the Young Child Tax Credit, the Renter's Credit, the Student Loan Interest Deduction, and the Child and Dependent Care Credit.

State Tax Breaks Mostly Benefiting the Wealthy and Businesses Far Exceed Those for Households of Less Means

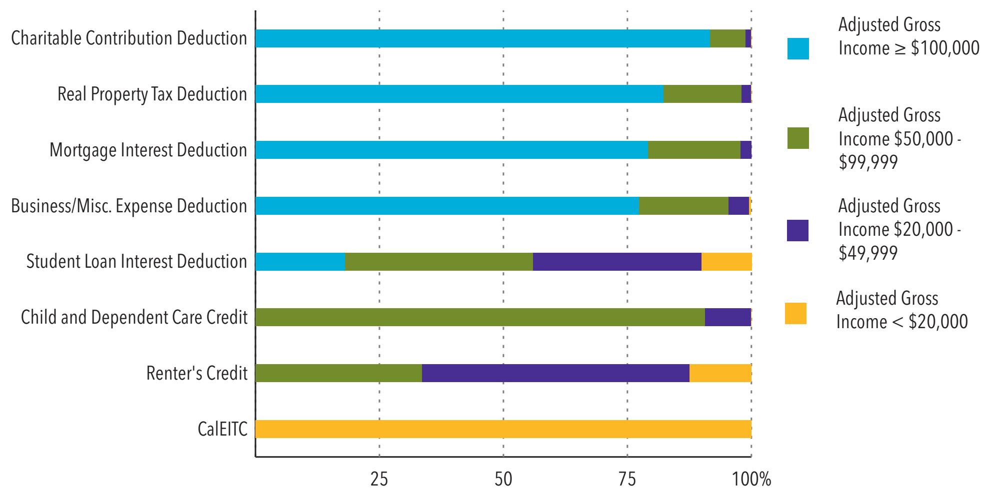
Projected 2019-20 California Revenue Loss by Tax Expenditure, in Billions



* Includes corporate income tax and personal income tax components.
** Includes corporate income tax, personal income tax, and sales tax components.
Notes: Enterprise Zone (EZ) Replacement Incentives and the Film Tax Credit reflect legislated caps rather than projected expenditures.
Source: Department of Finance and Franchise Tax Board

Many of California's Tax Breaks Primarily Benefit Higher-Income Households

Percentage of Tax Benefits Recevied by Adjusted Gross Income Group, 2016



Notes: The CalEITC was only available in tax year 2016 for tax filers with federal adjusted gross income of up to about $14,000, depending on the number of qualifying children. Starting with the 2019 tax year, the CalEITC will be available for filers with incomes up to $30,000.
Source: Budget Center analysis of Franchise Tax Board data

Some tax expenditures also widen racial and ethnic economic disparities. Since Black and Latinx households are underrepresented in higher-income groups due to historical racist policies and ongoing discrimination, these households benefit less than white households from tax breaks skewed toward richer households. Additionally, many of these tax breaks reward wealth-building activities such as homeownership and retirement savings, to which households of color have less access. For these reasons, many of California's tax expenditures contribute to the already stark racial wealth gap.

When legislators choose to spend public dollars via tax expenditures that largely benefit the wealthy and businesses, they are also choosing *not* to spend those dollars on services and programs that help individuals and families who struggle with the costs of housing, child care, education, and other necessities. Eliminating or scaling back these tax expenditures would free up revenue that could be used to proactively invest in resources that broaden economic security and create wealth and opportunity for more Californians.