By Alissa Anderson April 14, 2017

Current CalEITC Expansion Proposals

Several proposals currently in the Legislature would strengthen the California Earned Income Tax Credit (CalEITC). These include:

- **AB 75 (Steinorth and Quirk-Silva)**, which would allow low-earning self-employed workers to qualify for the CalEITC as long as their self-employment income is reported on a 1099 form. According to the Franchise Tax Board (FTB), around one-third of self-employed workers who are currently excluded from the credit receive such forms. AB 75 would also remove the requirement that policymakers annually determine how large a credit to provide through the CalEITC. Since the CalEITC was created, it has provided a credit equal to 85 percent of the federal EITC, making it the largest state EITC in the nation. This percentage, called the "adjustment factor," must be specified in each year's state budget bill, or else the credit will not be available for the upcoming tax year. (Specifically, the adjustment factor defaults to 0 percent if no other percentage is specified in the budget bill.) AB 75 would set the CalEITC adjustment factor in state statute at 85 percent as a default and would no longer require that this factor be annually specified in the budget bill. AB 75 is expected to reduce state revenues by about $13 million annually, according to the FTB.

- **AB 225 (Caballero and Steinorth)** would raise the income limit to qualify for the CalEITC in 2017 (for parents with multiple children) up to $21,840 – equivalent to full-time, year-round earnings at the current $10.50 per hour state minimum wage. As the minimum wage gradually increases to $15 per hour under current law, this bill would raise the CalEITC income limit so that it continues to reflect a full-time, year-round minimum wage salary. (This bill would also raise the income limit for workers with one child or no children, but the new threshold would not be pegged to a full-time minimum wage salary.) If the scheduled increases in the minimum wage are postponed, as is allowed under current law, then increases in the CalEITC income limit will also be postponed. AB 225 would also significantly raise the maximum CalEITC, as well as increase the credit for workers on the "phase-out" side of the credit. The FTB estimates that this bill would reduce state revenues by at least $400 million annually.

- **AB 1010 (Ting)** would better align the CalEITC with the federal EITC by raising the income limit to qualify for the state credit up to the level needed to qualify for the federal credit. For a parent with two children, for example, the CalEITC income limit would rise from about $14,000 to approximately $45,000. This bill would also extend the CalEITC to self-employed workers who are currently excluded from the credit, regardless of whether they receive a 1099 form documenting their earnings. The FTB is planning to publish an analysis of this bill later today, and it will be available here.