

Earned Income Tax Credits in California

APRIL 2017

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➤ **The federal and state governments offer tax credits to low- and moderate-income workers.**

The federal and state Earned Income Tax Credits (EITC) are designed to boost earnings, especially among families with children, by reducing taxes or providing a refund to filers who do not owe taxes. To be eligible for the federal credit, parents must be age 25–64, earn less than about \$39,000 to \$54,000 (depending on their filing status and number of children), and have modest income from investments. In addition, all family members on the tax return must have a social security number. Childless adults can qualify if they have income less than \$15,000 to \$20,000. The California EITC was first offered for the 2015 tax year. Compared to the federal EITC, eligibility thresholds are lower for the state credit: parents must have wages or salaries—not including self-employment income—less than about \$10,000 to \$14,000, and childless adults must have earnings under \$6,700.

➤ **The EITC is one of the largest social safety net programs.**

In California, 3 million tax filers—most of whom had at least one child—claimed \$7.3 billion in federal EITC for the 2015 tax year, receiving on average \$2,400. Around 400,000 filers claimed roughly \$200 million in state EITC, receiving on average \$600. For the 2014 tax year, total federal amounts received ranged from \$151,000 in Alpine County to \$2.25 billion in Los Angeles County; the California EITC boosted those totals by 3% on average. Federal and state outlays on the EITC were about the same as on CalFresh food assistance and more than twice as much as federal, state, and local expenditures on CalWORKs cash assistance.

➤ **More than a third of California children benefit from the EITC.**

An estimated 35% of children statewide lived in families that benefited from the federal (and sometimes also the state) EITC, ranging from 15% in Marin County to 50% in Lake/Mendocino Counties. The share of Californians eligible for the federal EITC who claimed it was about 75% in 2013—somewhat lower than the estimated rate in the nation as a whole (80%), but higher than state participation rates for both CalWORKs and CalFresh. Research indicates that most who are eligible for but do not receive the EITC fail to file a tax return in the first place, perhaps because their earnings are so low they are not required to file.

➤ **The federal and state EITC mostly help full-time and part-time workers, respectively.**

In 2014, an estimated 49% of filers claiming the federal EITC were full-time, year-round workers, compared to 25% of those claiming the state EITC. Reflecting lower earnings cut-offs for the California EITC, 68% of filers claiming the state EITC worked part-time or part-year, compared to 39% of those claiming the federal EITC alone.

➤ **The EITC lowers poverty, incentivizes work, and improves health.**

According to the California Poverty Measure, which incorporates taxes paid and tax credits received, EITC dollars meant the difference between living in poverty and not living in poverty for about 878,000 Californians in 2014, including 387,000 children. Studies have shown that the federal EITC encourages employment and can reduce the need for welfare assistance. Research has also suggested that major expansions in the federal EITC in the early 1990s are responsible for better infant and maternal health outcomes and improved academic performance among children.

➤ **Proposals to expand the state EITC would change income requirements.**

California lawmakers are considering expansions to the state EITC to include additional filers—for example, allowing earnings from self-employment to count toward eligibility and increasing the earnings cut-offs. Currently, California's EITC is more narrowly targeted to the lowest-income tax filers compared to most other state EITC programs, which typically have income requirements similar to the federal EITC. Though relatively few Californians qualify for it, the California EITC boosts the federal credit for those who do qualify by roughly 25%. Of the 24 other states with their own EITC, only six match the federal credit at a similar or higher level.



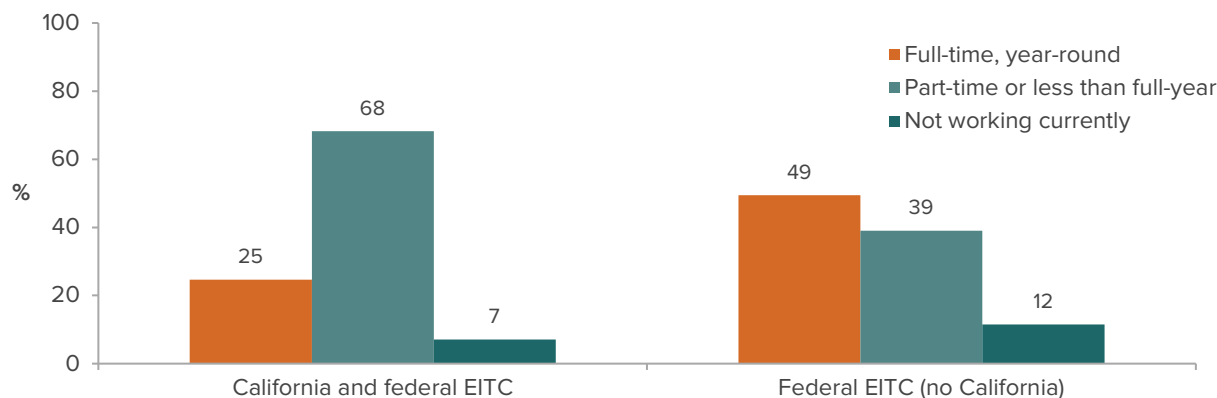
The federal EITC adds \$7.3 billion to local economies and assists 35% of California children

County	Total federal EITC received (millions)	Share of children in families with any EITC	County	Total federal EITC received (millions)	Share of children in families with any EITC	County	Total federal EITC received (millions)	Share of children in families with any EITC
Statewide	\$7,342.9	35%	Madera	\$37.8	44%	San Luis Obispo	\$28.8	32%
Alameda	\$195.1	24%	Marin	\$13.3	15%	San Mateo	\$52.9	19%
Alpine	\$0.2	35%	Mariposa	\$2.6	35%	Santa Barbara	\$61.4	31%
Amador	\$4.2	35%	Mendocino	\$16.2	50%	Santa Clara	\$180.8	20%
Butte	\$38.6	38%	Merced	\$74.2	41%	Santa Cruz	\$35.9	26%
Calaveras	\$5.5	35%	Modoc	\$1.4	43%	Shasta	\$31.4	45%
Colusa	\$4.7	38%	Mono	\$1.6	35%	Sierra	\$0.4	30%
Contra Costa	\$124.0	22%	Monterey	\$83.7	34%	Siskiyou	\$7.9	43%
Del Norte	\$5.1	43%	Napa	\$14.1	24%	Solano	\$65.1	31%
El Dorado	\$17.5	28%	Nevada	\$11.7	30%	Sonoma	\$49.3	28%
Fresno	\$297.4	48%	Orange	\$452.9	28%	Stanislaus	\$125.3	41%
Glenn	\$6.3	38%	Placer	\$30.6	22%	Sutter	\$21.4	43%
Humboldt	\$20.9	45%	Plumas	\$2.5	43%	Tehama	\$12.6	38%
Imperial	\$85.3	48%	Riverside	\$542.8	39%	Trinity	\$1.8	38%
Inyo	\$2.4	35%	Sacramento	\$308.2	37%	Tulare	\$152.6	48%
Kern	\$241.1	41%	San Benito	\$9.9	34%	Tuolumne	\$7.1	35%
Kings	\$37.5	48%	San Bernardino	\$585.6	42%	Ventura	\$119.0	27%
Lake	\$13.4	50%	San Diego	\$557.0	33%	Yolo	\$28.2	33%
Lassen	\$3.2	43%	San Francisco	\$78.5	25%	Yuba	\$18.7	43%
Los Angeles	\$2,249.1	39%	San Joaquin	\$166.1	39%			

Source: Author calculations from the [Brookings Institution, EITC Interactive](#) (tax year 2014), [2012–2014 California Poverty Measure \(CPM\)](#), and the [American Community Survey \(ACS\)](#).

Note: Using ACS survey responses, family tax obligation calculations are made under the assumption that the state EITC was in effect for 2012–2014. Percentages shown do not reflect eligibility for the EITC, but are rather simply the share of children who live in families that receive one or both tax credits. Some counties cannot be individually identified in the data, so estimates pertain to the group of counties rather than the individual county. Grouped counties are: 1. Alpine, Amador, Calaveras, Inyo Mariposa, Mono, and Tuolumne; 2. Del Norte, Lassen, Modoc, Plumas, and Siskiyou; 3. Colusa, Glenn, Tehama, and Trinity; 4. Lake and Mendocino; 5. Monterey and San Benito; 6. Nevada and Sierra; 7. Sutter and Yuba. All estimates are subject to uncertainty due to sampling variability. The uncertainty is greater for less populous counties and county groups (because of smaller survey sample sizes).

The California EITC helps more part-time or part-year workers



Source: Author calculations from the [2014 California Poverty Measure \(CPM\)](#) and the [American Community Survey \(ACS\)](#).

Note: Using ACS survey responses, family tax obligation calculations are made under the assumption that the state EITC was in effect for 2014. California EITC recipients are also generally eligible for the federal EITC; filers with incomes above the state EITC cut-offs can qualify for the federal EITC alone. Self-reported employment status of tax filers shown. Usual hours of work reported; those not working at the time they were surveyed had earnings in the past year.

Sources: IRS, Jan 2017; IRS, December 2016; IRS, June 2016; Antonio Avalos, CSU Fresno, Mar 2015; Chuck Marr et al., CBPP, Oct 2015; Grover J. Whitehurst, Brookings Institution, July 2016; TCWF.

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