Understanding the Reach of the California Earned Income Tax Credit

December 5, 2023

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State tax credits support low-income families

- The California Earned Income Tax Credit (CalEITC) has grown since its introduction for Tax Year 2015
  - Originally designed to complement federal EITC
  - Now complemented by
    - Young Child Tax Credit (TY 2019)
    - Foster Youth Tax Credit (TY 2022)
- Targeted to residents with incomes below state tax filing threshold
- More to learn about how well CalEITC reaches Californians

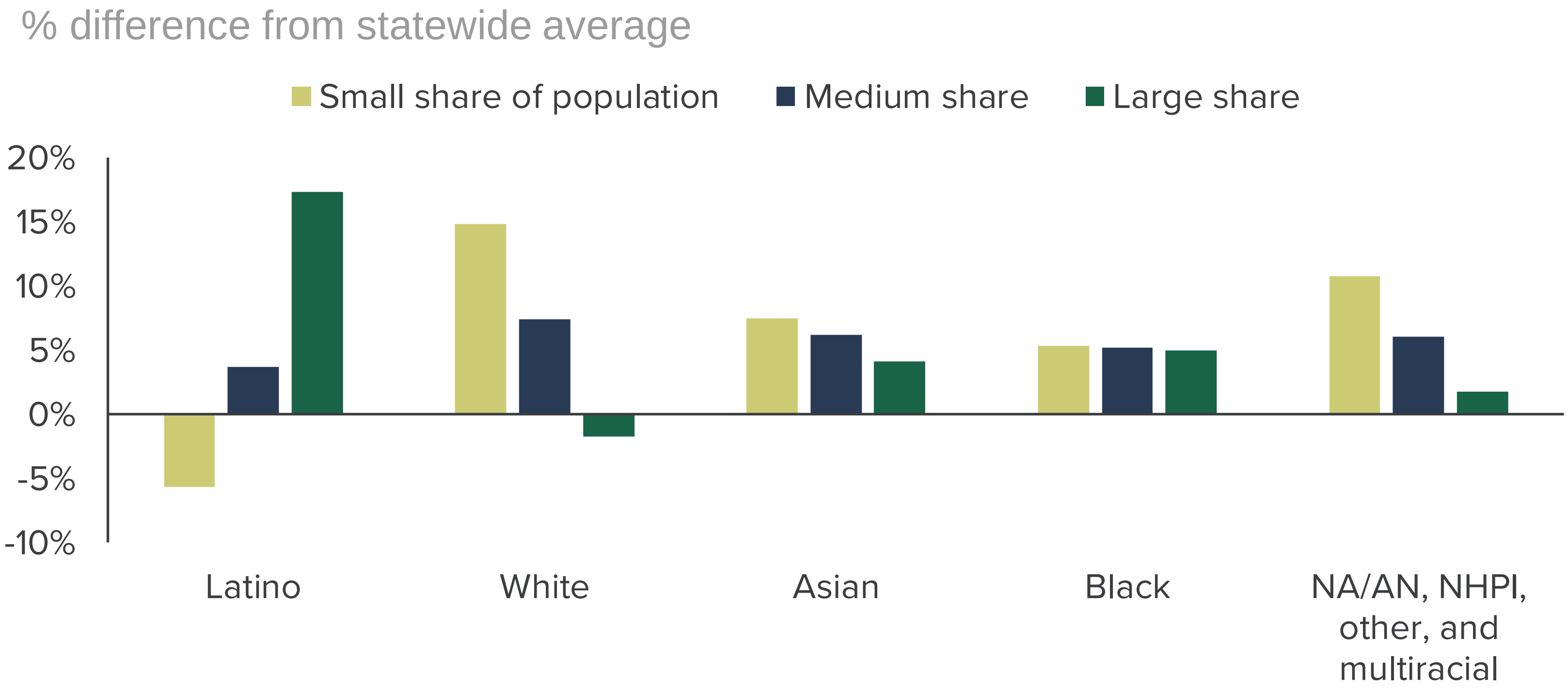
CalEITC is smaller than the federal EITC

	Total $ (TY 2021)	N claims (TY 2021)	Max credit (TY 2022)	Average credit (TY 2021)
CalEITC	$700 million	3.6 million		$195
No children		2.6 million	$275	$102
Any children		1.0 million	$3,417	$429
Federal EITC in CA	$6 billion	3.3 million		$1,857
No children			$600	
Any children			$7,430	
Young Child Tax Credit	$350 million	0.4 million	$1,083	$927
Foster Youth Tax Credit	n/a	n/a	$1,083	n/a

Credit claiming varies across the state

- The "claims ratio" is the ratio of claims to families with incomes under $30,000, who might be eligible for CalEITC
- The claims ratio tends to be lower in the San Joaquin Valley and the state's northern region, and higher in Orange, San Diego, and eastern LA Counties
- Claims ratios also vary within urban areas

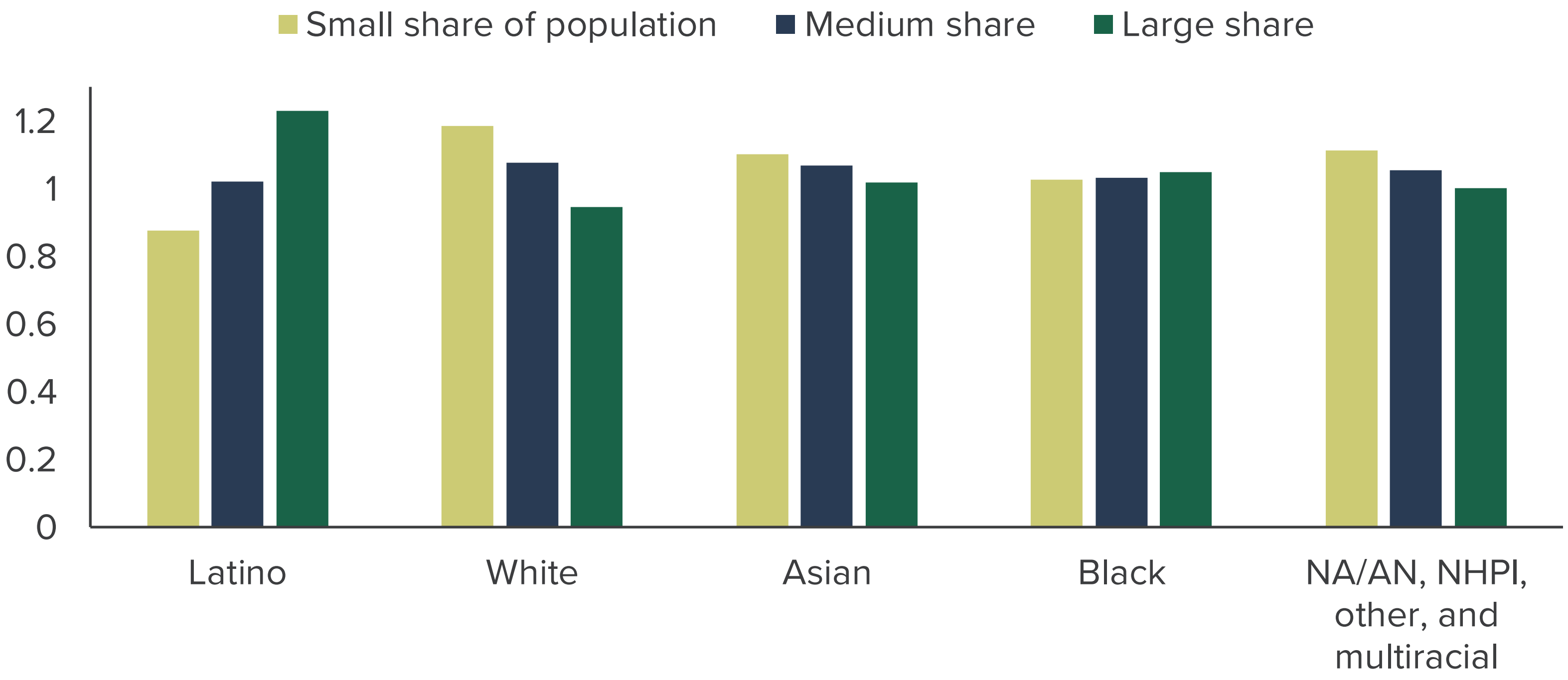
Claims ratios are above average when Latino populations are relatively large



On average, CalEITC dollars are distributed proportionally

- "Dollars ratio" helps assess how CalEITC dollars are being distributed across zip codes
  - A one-to-one ratio means that dollars are evenly distributed
- Distribution of CalEITC spending across counties is largely aligned with the distribution of potentially eligible households

Dollars ratios are above 1:1 in communities where a relatively large share of residents are Latino



Credits are claimed early in high-eligibility communities

- 42 percent of all YCTC claims had been processed by the end of February 2022, and 28 percent of CalEITC claims
  - Higher shares claimed early in Central Valley, Inland Empire, and northern zip codes
- Higher early claiming in communities where more residents have children, or low incomes
- Lower early claiming where more residents are noncitizens

Conclusions

- CalEITC claiming varies across the state, but on average, credit dollars are distributed proportionally
- Communities with more Latino members claim CalEITC at higher rates
- Claiming is lower and happens later in the year when more residents are non-citizens
  - This could reflect barriers to filing or to filing early, or successful outreach
- Additional evidence that credit may be an incentive to file early

Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.