

April 10, 2018

Overview of State EITC Education and Outreach Activities

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Budget Subcommittee No. 4 on State Administration
Hon. Jim Cooper, Chair



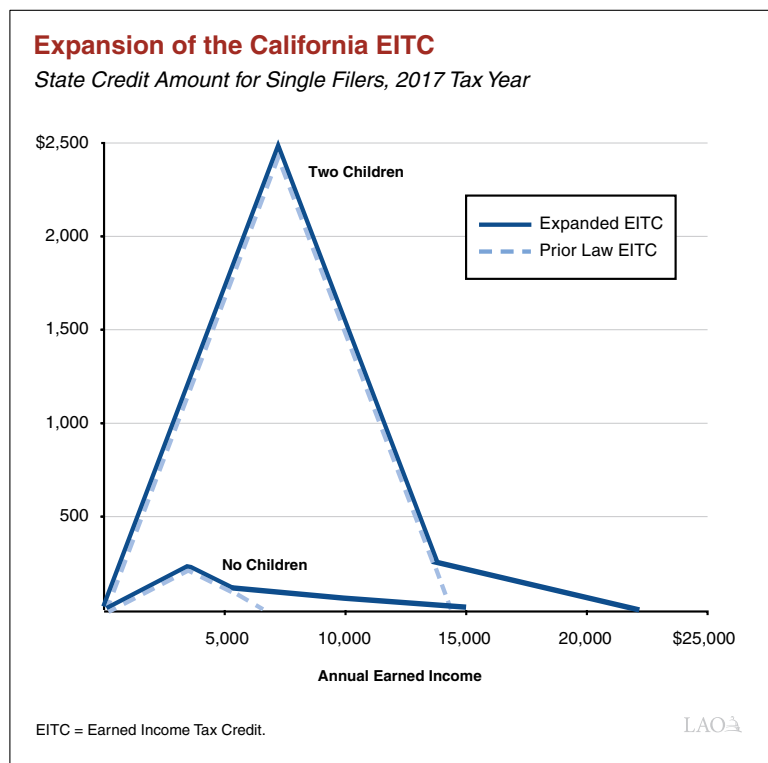


California Earned Income Tax Credit (EITC)

- ☑ **Federal EITC Reduces Poverty and Generally Encourages Work**

- ☑ **2015-16 Budget Adopted Supplemental State EITC for 2015 Tax Year**
 - The state EITC is a refundable personal income tax credit.
 - The credit is intended to reduce poverty among California’s lowest income working families by increasing their after-tax income.

- ☑ **2017-18 Budget Expanded State EITC to:**
 - Include self-employment income.
 - Increase amount of qualifying income up to \$22,300 (for single filers with children).





Fewer Claims for State EITC Than Expected

Administration Estimated 825,000 Tax Filers Would Claim State EITC in the 2016 Filing Season . . .

. . . Fewer Than Half That Many Actually Claimed It

Total California Earned Income Tax Credit (EITC) Allowed		
Tax Year	Number of Taxpayers	Amount of EITC
2015	385,546	\$200.3 million
2016	385,910	204.9 million

Note: As of April 10, 2018, the state is in the middle of the tax filing season and we do not yet know how many state EITC claims will be filed and allowed for tax year 2017.

- Claims Have Already More Than Doubled This Year**
- Through the end of March, the state has allowed 920,000 EITC claims.
 - This increase is due to significantly more tax filers being eligible to claim the expanded state EITC this year.

- Most Eligible Filers Did Not Claim State EITC Last Year**
- 75,000 are filing a state tax return for the first time.
 - More individuals transition into and out of eligibility for the state EITC than the federal EITC because the income limit is relatively low.



Existing EITC Assistance, Education, and Outreach Activities



Volunteer Income Tax Assistance (VITA)

- The VITA program is an Internal Revenue Service initiative to support free federal and state tax preparation services for low- to moderate-income individuals.
- There are more than 800 VITA sites in California hosted by partner organizations and staffed by volunteers.



Third-Party Organizations

- Other organizations—including nonprofits, community-based organizations, and other state and local governmental agencies—fund efforts to raise awareness about the EITC and to help eligible individuals file their tax returns.



Franchise Tax Board (FTB)

- Since the 2015-16 budget, FTB has received \$1 million annually for EITC education and outreach.
- To expand statewide EITC education and outreach, the 2016-17 and 2017-18 budgets each provided FTB an additional \$2 million for grants to other organizations.
 - The administration's 2018 budget proposal does not include funding for these grants.



FTB Outreach Activities



Directly Contacted Individuals in 2016

- **Attempted to Contact Nonfilers . . .** Early in 2016, FTB contacted 90,000 state *nonfilers* who appeared to potentially qualify for the state EITC (based on 2014 federal tax information). This effort was largely unsuccessful with very few of those contacted claiming the state EITC.
- **. . . And Filers Not Claiming EITC.** Later in 2016—after end of the 2015 filing season—FTB contacted 53,750 filers that potentially qualified for state EITC, but did not claim it on their return. Due to this effort, 7,499 taxpayers received \$4.5 million in EITC refunds.



Ongoing FTB Education and Outreach Activities

- Prints and distributes educational fliers, posters, and brochures—in five languages—to schools, libraries, community centers, and VITA sites.
- Conducts media interviews and uses social media to raise awareness about state EITC.
- Partners with the Community College Foundation to make a mobile VITA site available to partner organizations.



\$2 Million in EITC Education and Outreach Grants

Grants Awarded by Department of Community Services and Development (CSD)

- CSD administered the grant application and evaluation process. Applications required detailed narratives describing relevant experience, capacity, existing community relationships, and EITC education and outreach plans.

10 Organizations Received Grants in 2017, 11 in 2016

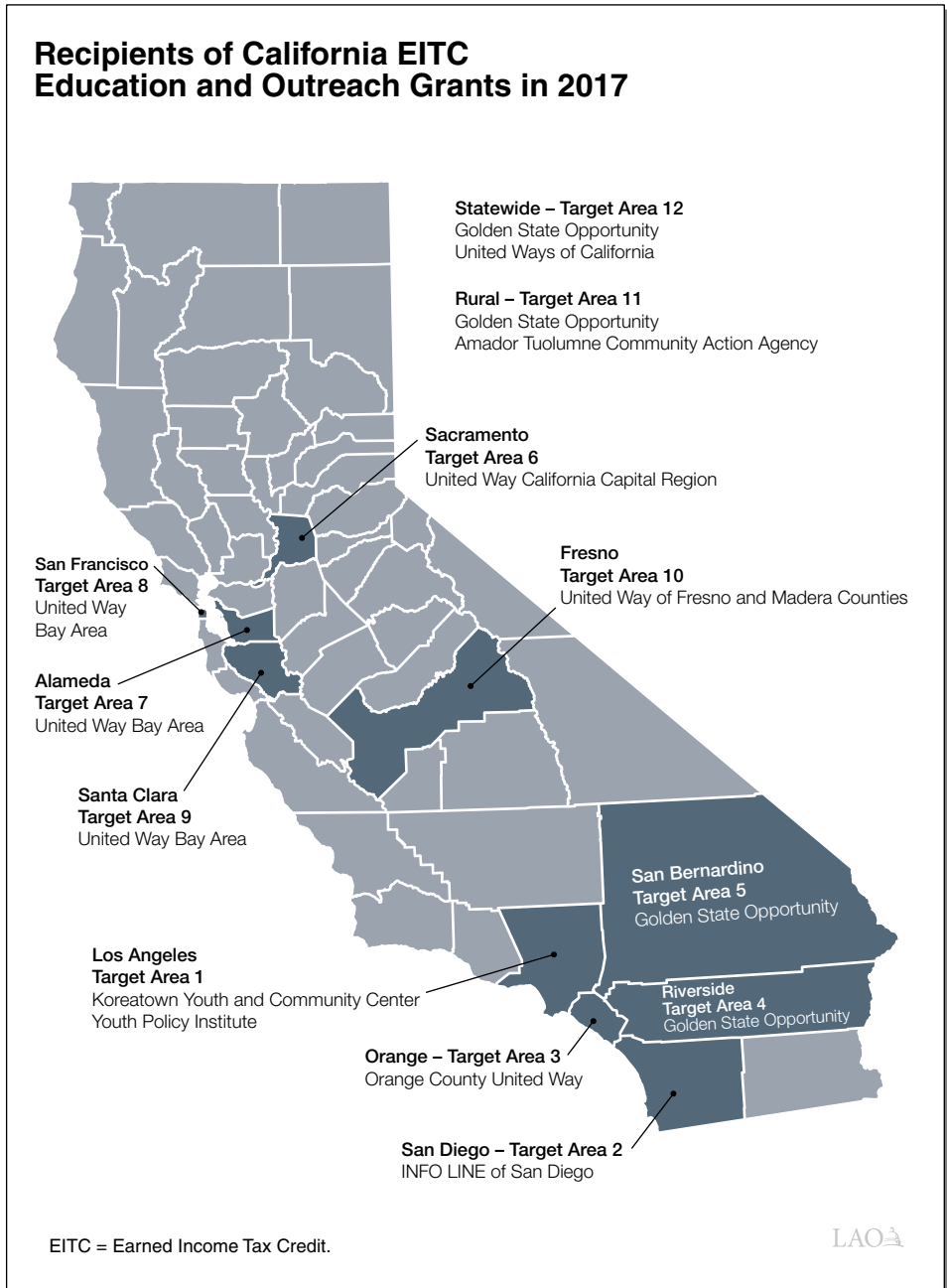
- Most grantees expanded or enhanced existing EITC education and outreach activities.

Education and Outreach Activities included:

- Providing free tax preparation assistance.
- Presenting educational information to groups at community events with local partner organizations.
- Conducting one-on-one outreach at community events and through door-to-door canvassing.
- Conducting media interviews and placing advertisements.
- Operating informational websites with resources available in multiple languages.



California EITC Education and Outreach Grantees by Target Area





Partner Organizations Measure Individuals Reached



Outreach Activities Measured on Monthly Basis

- Grantees required to collect and report monthly statistics on number of individuals reached from each activity.



However, Effectiveness Difficult to Measure

- Free tax preparation directly leads to actual state EITC claims.
- Many of the other education and outreach activities only raise awareness of the state EITC and free tax preparation services.
 - Is this leading to more claims?



Future Outreach

- Given many eligible individuals are not required to file a state income tax return, concentrating outreach on providing more free tax preparation sites could be most effective.