

AMENDED IN ASSEMBLY FEBRUARY 12, 2015

AMENDED IN ASSEMBLY FEBRUARY 4, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 43

**Introduced by Assembly Member ~~Mark Stone~~ Members *Mark Stone, Eggman, Levine, McCarty, and Thurmond*
(Principal coauthor: ~~Assembly Member Levine~~)
(Principal coauthors: *Assembly Members Alejo, Bonilla, Bonta, Chiu, Dodd, and Lopez*)
(Coauthors: *Assembly Members Bloom, Chau, Gonzalez, Roger Hernández, Mullin, O'Donnell, and Rendon*)**

December 1, 2014

An act to add Section 17052.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 43, as amended, ~~Mark Stone~~ *Mark Stone*. Personal income taxes: credit: earned income.

The Personal Income Tax Law allows various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws. Federal income tax laws allow a refundable earned income tax credit for certain low-income individuals who have earned income and who meet certain other requirements.

This bill, for taxable years beginning on or after January 1, 2016, in modified conformity with federal income tax laws, would allow an earned income credit to an eligible individual that is equal to specified percentages of the earned income tax credit allowed by federal law.

The bill would provide that in those years in which an appropriation is made by the Legislature, the credit would be refundable. The bill would also make findings and declarations.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
2 following:
- 3 (a) In its Supplemental Poverty Measure report for the year
4 2013, released in October 2014, the United States Census Bureau
5 reported California's rate of poverty to be 23.4 percent. This rate
6 is the highest among all 50 states.
- 7 (b) Using census data released in September 2014, the California
8 Budget Project (CBP) reported that the economic recovery from
9 the Great Recession has largely bypassed low- and middle-income
10 Californians, with the bottom three-fifths of the income distribution
11 experiencing stagnating income gains. This is contrasted with the
12 top one-fifth of the income distribution experiencing gains of 52.4
13 percent.
- 14 (c) A briefing on poverty released by the CBP in August 2014
15 reports that 67 percent of families living in poverty were supported
16 by one or more workers in 2012. Given that the majority of families
17 living in poverty are working families in California, it is evident
18 that poverty largely reflects low-paying jobs, not the absence of
19 employment.
- 20 (d) In California, the Public Policy Institute of California (PPIC),
21 in collaboration with the Stanford Center on Poverty and Inequality,
22 has developed the California Poverty Measure (CPM), which
23 underscores the role of California's social safety net, amount which
24 includes the CalFresh Program, CalWORKs, and the federal Earned
25 Income Tax Credit (EITC), in mitigating poverty.
- 26 (e) Using data from 2011, a PPIC report on the CPM released
27 in October 2013, reveals that 22 percent of Californians, 8.1 million
28 people, lived in poverty. A comparison of CPM rates by county
29 show that the three most populous counties, Los Angeles County,
30 San Diego County, and Orange County, all had rates above the

1 statewide CPM at 26.9 percent, 22.7 percent, and 24.3 percent,
2 respectively.

3 (f) The CPM rate for children statewide for children, those under
4 the age of 18, was 25.1 percent, the highest rate of any age group.
5 This amounts to 2.3 million of California’s children living in
6 poverty.

7 (g) Without need-based safety net programs and resources, over
8 30 percent of Californians would be living in poverty. ~~The~~
9 *According to the CPM*, the absence of the safety net would increase
10 the poverty rate among California’s children to 39 percent
11 ~~according to the CPM~~.

12 (h) Refundable tax credits, including the federal EITC, reduced
13 the poverty rate in California by 3.2 percent overall. Among
14 children, the poverty rate reduction was 6 percent. This means that
15 560,000 fewer children and 600,000 fewer working-age adults,
16 1.16 million people fewer in total, are living in poverty when
17 refundable tax credits are accounted for in the CPM.

18 (i) According to the National Conference of State Legislatures,
19 25 states in the country and the District of Columbia, provide an
20 EITC in addition to the federal EITC. California does not currently
21 have a state EITC.

22 (j) A Brookings Institution report issued in January 2003, shows
23 that in addition to boosting the family incomes of families in
24 poverty, state EITC refunds served as an important economic
25 stimulus for the communities and regions of the families by
26 magnifying the impact of the federal EITC overall.

27 SEC. 2. Section 17052.1 is added to the Revenue and Taxation
28 Code, to read:

29 17052.1. For each taxable year beginning on or after January
30 1, 2016, there shall be allowed a credit against the “net tax,” as
31 defined by Section 17039, for the taxable year, an amount
32 determined in accordance with Section 32 of the Internal Revenue
33 Code, as amended by Section 1002(a) of Public Law 111-5, as
34 amended by Section 219(a)(2) of Public Law 111-226, as amended
35 by Section 103(c) of Public Law 111-312, and as amended by
36 Section 103(c) of Public Law 112-240, as amended by Section
37 206(a) of Public Law 113-295, relating to earned income, except
38 as follows:

1 (a) (1) For an eligible individual who has at least one qualifying
2 child under five years of age, the credit amount shall be equal to
3 the federal earned income credit amount multiplied by 35 percent.

4 (2) For an eligible individual who does not have a qualifying
5 child, the credit amount shall be equal to the federal earned income
6 credit amount multiplied by 60 percent.

7 (3) For any other eligible individual who does not meet the
8 requirements of paragraph (1) or (2), the credit amount shall be
9 equal to the federal earned income credit amount multiplied by 15
10 percent.

11 (b) If the amount allowable as a credit under this section exceeds
12 the tax liability computed under this part for the taxable year, the
13 excess shall be credited against other amounts due, if any, and the
14 balance, if any, shall, upon appropriation by the Legislature, be
15 refunded to the qualified taxpayer.

16 (c) Any amounts refunded to a taxpayer pursuant to this section
17 shall not be included in income subject to tax under this part.

18 (d) Notwithstanding any other law, amounts refunded pursuant
19 to this section shall be treated in the same manner as the federal
20 earned income refund for the purpose of determining eligibility to
21 receive benefits under Division 9 (commencing with Section
22 10000) of the Welfare and Institutions Code or amounts of those
23 benefits.

24 (e) This section is notwithstanding Section 41.

25 SEC. 3. This act provides for a tax levy within the meaning of
26 Article IV of the Constitution and shall go into immediate effect.

27

28

29 **CORRECTIONS:**

30 **Heading—Lines 1, 6 and 7.**

31 **Digest—Page 1.**

32

O

DRAFTFILED
OFFICE OF THE CITY CLERK
OAKLAND

2015 MAR 13 AM 4:09 OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

INTRODUCED BY COUNCIL PRESIDENT LYNETTE GIBSON MCELHANEY
AND COUNCILMEMBER ANNIE CAMPBELL WASHINGTON**RESOLUTION TO SUPPORT ASSEMBLY BILL 43 WHICH
ESTABLISHES A REFUNDABLE CALIFORNIA EARNED INCOME
TAX CREDIT TO ACT AS A STIMULUS FOR WORKING LOW AND
MIDDLE-INCOME FAMILIES BY REDUCING POVERTY AND
REWARDING WORK**

WHEREAS, according to the Federal Supplemental Poverty Measure, California has the highest rate of poverty in the United States, with 23.4% of its residents living below the poverty line; and

WHEREAS, the City of Oakland takes great strides to address the needs of low-income individuals, through grants and programs for job training, social services for seniors, youth, health, and nutrition, however, such services are insufficient to meet the needs of our vulnerable populations; and

WHEREAS, the Federal Earned Income Tax Credit ("EITC") has raised 1.3 million Californians, including 629,000 children, above the federal poverty line; and

WHEREAS, twenty-five states have already established a state-level Earned Income Tax Credit to magnify the impact of the federal EITC; and

WHEREAS, it is estimated that for every dollar received through the EITC, between \$1.50 - \$2.00 is generated in local economic activity; and

WHEREAS, Assembly Bill 43, authored by Assemblymembers Stone, Eggman, Levine, McCarty, and Thurmond, establishes a refundable California Earned Income Tax Credit; and

WHEREAS, under Assembly Bill 43, all California households eligible for the federal EITC with at least one child under the age of five would receive a refundable credit of 35% of the federal credit amount, a childless EITC-eligible tax filer would receive a refundable credit of 60% of the federal credit amount, and all other federal EITC-eligible filers would receive a state credit of 15% of their federal credit; and

WHEREAS, since 2003, the City of Oakland's Alameda County – Oakland Community Action Partnership (AC-OCAP), in collaboration with the Alameda County Earned Income Tax Credit (EITC) Coalition, has been educating and informing Oakland's low-wage earners about the benefits of claiming the Earned Income Tax Credit; and

WHEREAS, the 2014 City of Oakland awareness campaign about the Federal Earned Income Tax Credit helped prepare a total of 11,156 free tax returns at 24 community based Volunteer Income Tax Assistance (VITA) sites located throughout the City of Oakland, including senior centers and libraries; and

WHEREAS, the net results of the 2014 awareness campaign netted \$4,954,217 in Earned Income Tax Credits (EITC), in addition to \$1,711,338 captured in Child Tax Credits (CTC), and over \$11,910,363 captured in total refunds; now, therefore, be it

RESOLVED: That the City Council of Oakland strongly supports the passage of California Assembly Bill 43.

IN COUNCIL, OAKLAND, CALIFORNIA, PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID AND PRESIDENT GIBSON MCELHANEY

NOES -
ABSENT -
ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California