

ASSEMBLY BILL

No. 43

Introduced by Assembly Member Mark Stone

December 1, 2014

An act relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 43, as introduced, Mark Stone. Personal income tax: credit: earned income.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law. The federal Internal Revenue Code authorizes a refundable earned income tax credit for certain low-income individuals who have earned income and who meet certain other requirements.

This bill would state the intent of the Legislature to enact legislation that would create an refundable earned income tax credit for low-income individuals working in California. The bill would also make findings and declarations in this regard.

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

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

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:

3 (1) 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.

1 (2) Using census data released in September 2014, the California
2 Budget Project (CBP) reported that the economic recovery from
3 the Great Recession has largely bypassed low-and middle-income
4 Californians, with the bottom three-fifths of the income distribution
5 experiencing stagnating income gains. This is contrasted with the
6 top one-fifth of the income distribution experiencing gains of 52.4
7 percent.

8 (3) A briefing on poverty released by the CBP in August 2014
9 reports that 67 percent of families living in poverty were supported
10 by one or more workers in 2012. Given that the majority of families
11 living in poverty are working families in California, it is evident
12 that poverty largely reflects low-paying jobs, not the absence of
13 employment.

14 (4) In California, the Public Policy Institute of California (PPIC),
15 in collaboration with the Stanford Center on Poverty and Inequality,
16 has developed the California Poverty Measure (CPM), which
17 underscores the role of California's social safety net, amount which
18 includes the CalFresh Program, CalWORKs, and the federal Earned
19 Income Tax Credit (EITC), in mitigating poverty.

20 (5) Using data from 2011, a PPIC report on the CPM released
21 in October 2013, reveals that 22 percent of Californians, 8.1 million
22 people, lived in poverty. A comparison of CPM rates by county
23 show that the three most populous counties, Los Angeles County,
24 San Diego County, and Orange County, all had rates above the
25 statewide CPM at 26.9 percent, 22.7 percent, and 24.3 percent,
26 respectively.

27 (6) The CPM rate for children statewide for children, those
28 under the age of 18, was 25.1 percent, the highest rate of any age
29 group. This amounts to 2.3 million of California's children living
30 in poverty.

31 (7) Without need-based safety net programs and resources, over
32 30 percent of Californians would be living in poverty. The absence
33 of the safety net would increase the poverty rate among California's
34 children to 39 percent according to the CPM.

35 (8) Refundable tax credits, including the federal EITC, reduced
36 the poverty rate in California by 3.2 percent overall. Among
37 children, the poverty rate reduction was 6 percent. This means that
38 560,000 fewer children and 600,000 fewer working-age adults,
39 1.16 million people fewer in total, are living in poverty when
40 refundable tax credits are accounted for in the CPM.

1 (9) According to the National Conference of State Legislatures,
2 25 states in the country and the District of Columbia, provide an
3 EITC in addition to the federal EITC. California does not currently
4 have a state EITC.

5 (10) A Brookings Institution report issued in January 2003,
6 shows that in addition to boosting the family incomes of families
7 in poverty, state EITC refunds served as an important economic
8 stimulus for the communities and regions of the families by
9 magnifying the impact of the federal EITC overall.

10 (b) Based on these findings and declarations, it is the intent of
11 the Legislature to enact legislation that would create an refundable
12 earned income tax credit for low-income individuals working in
13 California.