

AMENDED IN ASSEMBLY FEBRUARY 4, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 43

Introduced by Assembly Member Mark Stone
(Principal coauthor: Assembly Member Levine)

December 1, 2014

~~An act relating to taxation.~~ *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. Personal income~~tax~~ 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.

~~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~~ yes. 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)~~

4 (a) In its Supplemental Poverty Measure report for the year
5 2013, released in October 2014, the United States Census Bureau
6 reported California’s rate of poverty to be 23.4 percent. This rate
7 is the highest among all 50 states.

8 ~~(2)~~

9 (b) Using census data released in September 2014, the California
10 Budget Project (CBP) reported that the economic recovery from
11 the Great Recession has largely bypassed low- and middle-income
12 Californians, with the bottom three-fifths of the income distribution
13 experiencing stagnating income gains. This is contrasted with the
14 top one-fifth of the income distribution experiencing gains of 52.4
15 percent.

16 ~~(3)~~

17 (c) A briefing on poverty released by the CBP in August 2014
18 reports that 67 percent of families living in poverty were supported
19 by one or more workers in 2012. Given that the majority of families
20 living in poverty are working families in California, it is evident
21 that poverty largely reflects low-paying jobs, not the absence of
22 employment.

23 ~~(4)~~

24 (d) In California, the Public Policy Institute of California (PPIC),
25 in collaboration with the Stanford Center on Poverty and Inequality,
26 has developed the California Poverty Measure (CPM), which
27 underscores the role of California’s social safety net, amount which
28 includes the CalFresh Program, CalWORKs, and the federal Earned
29 Income Tax Credit (EITC), in mitigating poverty.

1 ~~(5)~~

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

9 ~~(6)~~

10 (f) The CPM rate for children statewide for children, those under
11 the age of 18, was 25.1 percent, the highest rate of any age group.
12 This amounts to 2.3 million of California's children living in
13 poverty.

14 ~~(7)~~

15 (g) Without need-based safety net programs and resources, over
16 30 percent of Californians would be living in poverty. The absence
17 of the safety net would increase the poverty rate among California's
18 children to 39 percent according to the CPM.

19 ~~(8)~~

20 (h) Refundable tax credits, including the federal EITC, reduced
21 the poverty rate in California by 3.2 percent overall. Among
22 children, the poverty rate reduction was 6 percent. This means that
23 560,000 fewer children and 600,000 fewer working-age adults,
24 1.16 million people fewer in total, are living in poverty when
25 refundable tax credits are accounted for in the CPM.

26 ~~(9)~~

27 (i) According to the National Conference of State Legislatures,
28 25 states in the country and the District of Columbia, provide an
29 EITC in addition to the federal EITC. California does not currently
30 have a state EITC.

31 ~~(10)~~

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

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

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

3 17052.1. For each taxable year beginning on or after January
4 1, 2016, there shall be allowed a credit against the "net tax," as
5 defined by Section 17039, for the taxable year, an amount
6 determined in accordance with Section 32 of the Internal Revenue
7 Code, as amended by Section 1002(a) of Public Law 111-5, as
8 amended by Section 219(a)(2) of Public Law 111-226, as amended
9 by Section 103(c) of Public Law 111-312, and as amended by
10 Section 103(c) of Public Law 112-240, as amended by Section
11 206(a) of Public Law 113-295, relating to earned income, except
12 as follows:

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

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

19 (3) For any other eligible individual who does not meet the
20 requirements of paragraph (1) or (2), the credit amount shall be
21 equal to the federal earned income credit amount multiplied by
22 15 percent.

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

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

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

35 (e) This section is notwithstanding Section 41.

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

O