AMENDED IN ASSEMBLY JUNE 1, 2015

AMENDED IN ASSEMBLY MAY 20, 2015

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 Members Mark Stone, Eggman, Levine, McCarty, and Thurmond
(Principal coauthors: Assembly Members Alejo, Bonilla, Bonta, Chiu, Dodd, and Lopez)
(Coauthors: Assembly Members Bloom, Chau, Cristina Garcia, Gonzalez, Roger Hernández, Mullin, O'Donnell, and Rendon)
(Coauthors: Senators Hill and Wieckowski)

December 1, 2014

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

LEGISLATIVE COUNSEL'S DIGEST

AB 43, as amended, 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, and before January 1, 2021, in modified conformity with federal income tax laws, would ~~allow~~ *provide for* an earned income credit to an eligible individual that is equal to ~~specified~~ *unspecified* percentages of the earned income tax credit allowed by federal ~~law. The bill would provide~~ *law* that *would only be allowed in those taxable years in which an appropriation is made by the Legislature. The bill and would provide that* in those years in which an appropriation is made by the Legislature, the credit would be refundable*, as provided*. 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

1 includes the CalFresh Program, CalWORKs, and the federal Earned
2 Income Tax Credit (EITC), in mitigating poverty.
3   (e) Using data from 2011, a PPIC report on the CPM released
4 in October 2013, reveals that 22 percent of Californians, 8.1 million
5 people, lived in poverty. A comparison of CPM rates by county
6 show that the three most populous counties, Los Angeles County,
7 San Diego County, and Orange County, all had rates above the
8 statewide CPM at 26.9 percent, 22.7 percent, and 24.3 percent,
9 respectively.
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   (g) Without need-based safety net programs and resources, over
15 30 percent of Californians would be living in poverty. According
16 to the CPM, the absence of the safety net would increase the
17 poverty rate among California's children to 39 percent.
18   (h) Refundable tax credits, including the federal EITC, reduced
19 the poverty rate in California by 3.2 percent overall. Among
20 children, the poverty rate reduction was 6 percent. This means that
21 560,000 fewer children and 600,000 fewer working-age adults,
22 1.16 million people fewer in total, are living in poverty when
23 refundable tax credits are accounted for in the CPM.
24   (i) According to the National Conference of State Legislatures,
25 25 states in the country and the District of Columbia, provide an
26 EITC in addition to the federal EITC. California does not currently
27 have a state EITC.
28   (j) A Brookings Institution report issued in January 2003, shows
29 that in addition to boosting the family incomes of families in
30 poverty, state EITC refunds served as an important economic
31 stimulus for the communities and regions of the families by
32 magnifying the impact of the federal EITC overall.
33   SEC. 2. Section 17052.1 is added to the Revenue and Taxation
34 Code, to read:
35   17052.1. For each taxable year beginning on or after January
36 1, 2016, and before January 1, 2021, there shall be allowed a credit
37 against the "net tax," as defined by Section 17039, for the taxable
38 year, an amount determined in accordance with Section 32 of the
39 Internal Revenue Code, as amended by Section 1002(a) of Public
40 Law 111-5, as amended by Section 219(a)(2) of Public Law

1 111-226, as amended by Section 103(c) of Public Law 111-312,
2 and as amended by Section 103(c) of Public Law 112-240, as
3 amended by Section 206(a) of Public Law 113-295, relating to
4 earned income, except as follows:
5   (a) (1) For an eligible individual who has at least one qualifying
6 child under five years of age, the credit amount shall be equal to
7 the federal earned income credit amount multiplied by ~~35 percent~~
8 *a percentage set forth in a bill related to the budget*.
9   (2) For an eligible individual who does not have a qualifying
10 child, the credit amount shall be equal to the federal earned income
11 credit amount multiplied by ~~60 percent~~ *a percentage set forth in*
12 *a bill related to the budget*.
13   (3) For any other eligible individual who does not meet the
14 requirements of paragraph (1) or (2), the credit amount shall be
15 equal to the federal earned income credit amount multiplied by ~~15~~
16 ~~percent~~ *a percentage set forth in a bill related to the budget*.
17   (b) If the amount allowable as a credit under this section exceeds
18 the tax liability computed under this part for the taxable year, the
19 excess shall be credited against other amounts due, if any, and the
20 balance, if any, shall, upon appropriation by the Legislature, be
21 refunded to the qualified taxpayer.
22   (c) Any amounts refunded to a taxpayer pursuant to this section
23 shall not be included in income subject to tax under this part.
24   (d) Notwithstanding any other law, amounts refunded pursuant
25 to this section shall be treated in the same manner as the federal
26 earned income refund for the purpose of determining eligibility to
27 receive benefits under Division 9 (commencing with Section
28 10000) of the Welfare and Institutions Code or amounts of those
29 benefits.
30   ~~(e) This section is notwithstanding Section 41.~~
31   *(e) The credit provided by this section shall only be allowed in*
32 *taxable years in which the Legislature provides for it in a bill*
33 *related to the budget.*
34   (f) This section shall remain in effect only until December 1,
35 2021, and as of that date is repealed.
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.~~

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