

May 17, 2017

The Honorable Holly J. Mitchell
Chair, Budget & Fiscal Review
Committee
California State Senate
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Budget Committee
California State Assembly
Sacramento, CA 95814

Re: Expand CalEITC Impact and Reach in the 2017-2018 Budget

Dear Budget Committee Chairpersons,

We are writing on behalf of the state's two largest asset building coalitions, the California Asset Building Coalition (CABC) and CFED in support of funding two provisions related to CalEITC in the Budget Act of 2017-18.

As you are aware, nearly 80% of low-income families are working families (Source: PPIC). CalEITC is a successful program already helping these low-income, working Californians from negative impacts of poverty and, in some cases, even help them to exit poverty.

The CalEITC could be even stronger though, by expanding its impact to self-employed workers and expanding its reach through more outreach funding and the CABC and CFED urge you to include funding for both in the 2017-2018 budget.

Expand CalEITC to include income from self-employment

Currently, an estimated 134,000 low-income households are not eligible for CalEITC simply because their income is from self-employment. Neither the federal government nor any other state specifically exclude self-employed workers and entrepreneurs from claiming an earned income tax credit. This exclusion specifically penalizes Californians in deep poverty who are trying to create their own jobs.

Therefore, the CalEITC should include self-employment earnings to reward work by entrepreneurs and independent contractors. According to budget simulations done by the Institute of Taxation and Economic Policy (ITEP) for the California Budget and Policy Center, a \$40 million investment would open this opportunity for thousands of families.

Expand the reach of CalEITC

Efforts to raise awareness of the CalEITC are critical to ensuring as many eligible families as possible benefit from the credit. Promoting the state EITC provides several opportunities to build the financial capability of families, including claiming in the federal EITC, which draws millions of dollars into the state, help low-income working families better support themselves, and boost local economies. According to Brookings Institution, the average federal EITC refund was \$2,402 in 2015.

The final 2016-17 budget included \$2 million to support CalEITC outreach and marketing. California should fund robust outreach and increased capacity in free tax-preparation services throughout the state by continuing the CalEITC Education and Outreach Grant Program administered by the Department of Community Services and Development at a funding level of \$9 million to ensure outreach resources are sufficient to meet the needs and that free tax prep assistance is there for those who want to access it.

A recent University of New Hampshire study of state EITC policies from across the country shows that children are the primary beneficiaries of a refundable EITC. By expanding the credit and increasing outreach, California is investing in the future of families and children in deep poverty.

About California Asset Building Coalition

The California Asset Building Coalition (CABC) is a statewide network of diverse organizations joined together to advance statewide policies and programs that help Californians to save, build assets, and achieve economic mobility.

About CFED

CFED is a national nonprofit organization based in Washington, DC, that works to expand economic opportunity for low-and moderate-income Americans by building wealth. Our work helps these households achieve the American dream: buying a home, pursuing higher education, starting a business, building financial capability and saving for the future.

Thank you in advance for your consideration.

Sincerely,



Jessica Bartholow, Chair
California Asset Building Coalition, Steering Committee



Solana Rice
Director, State & Local Policy
CFED – Expanding Economic Opportunity

Cc: Honorable Jerry Brown, California Governor
Honorable Kevin de León, California Senate President pro Tempore
Honorable Anthony Rendon, California Assembly Speaker
Members of All Senate and Assembly Budget Sub-Committees