



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 6/2/2015
Agenda Placement: 11B

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs

REPORT BY: Michael Karath, STAFF ASSISTANT - BOS - 299-1477

SUBJECT: Support for AB 43 (Stone, Dodd, et. al.) - California Earned Income Tax Credit

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests approval of and authorization for the Chair to communicate to the Legislature and pertinent parties support for AB 43 (Stone, Dodd, et. al.), a bill that would institute an Earned Income Tax Credit (EITC) for California taxpayers to be applied to state taxes. (Unanimous vote required)

EXECUTIVE SUMMARY

AB 43 establishes a refundable California Earned Income Tax Credit (EITC) in which certain categories of taxpayers will receive a certain percentage based on their federal earned income tax credit.

The federal EITC is a refundable tax credit targeted at low- to middle-income working households that reduces poverty and rewards work. Researchers cite the federal EITC as among the most effective tools for reducing poverty across the nation. Without it, child poverty is estimated to be 25% higher. As the California Budget Project points out, for children, the federal EITC results in improved health and education outcomes that translate into higher incomes in adulthood.

AB 43 will establish a California EITC that would be applied in the following manner:

- | A federal EITC-eligible household with at least one child under the age of five would receive a 35% augmentation to the federal credit
- | A childless EITC-eligible tax filer would receive a 60% augmentation
- | All other federal EITC-eligible filers would receive a 15% augmentation.

Neither CSAC nor RCRC has taken a position on AB 43.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

From 2010 to 2012, the federal Earned Income Tax Credit (EITC) pulled 1.3 million people (629,000 children) above the federal poverty line in California.

Twenty five states have already established their own EITC to magnify the impact of the federal EITC. AB 43 is seeking to add California to this list of state EITC's. Studies focused on state EITC's adopted in other states have estimated that each additional dollar received by a tax filer can generate a further \$1.50-\$2.00 in local economic activity. The impact of the increased purchasing power in communities benefited by federal and state EITC dollars is undeniable.

While our state and nation have benefited from strong trends in economic recovery following the recent recession, low- and middle-income households, for the most part, have been left out of income gains. The bottom three-fifths of the income distribution has experienced stagnating income gains while the top one-fifth of the income distribution has experienced gains of 52.4%. The communities hardest hit by the recession have had little meaningful income growth and economic stimulus.

In its report on the Supplemental Poverty Measure for 2013, the US Census Bureau reported California's poverty rate at 23.4%, the highest rate among all 50 states. California needs to take bold steps to reduce the poverty rate of working families and improve the economic outlook on its impoverished communities.

Given California's poverty rate, and given that EITCs adopted in other states have a proven record in curbing the income gap at local level, AB 43 seeks to offer California taxpayers who are eligible for a federal EITC to have that credit augmented by a state EITC.

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SUPPORTING DOCUMENTS

A . AB 43 - Earned Income Tax Credit

CEO Recommendation: Approve

Reviewed By: Molly Rattigan