An act to amend Sections 17052, 19851, 19852, 19853, and 19854 of, and to add Section 17052.1 to, the Revenue and Taxation Code, and to amend Section 11322.5 of the Welfare and Institutions Code, relating to taxation, and making an appropriation therefor.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17052 of the Revenue and Taxation Code is amended to read:

17052. (a) (1) For each taxable year beginning on or after January 1, 2015, there shall be allowed against the "net tax," as defined by Section 17039, ~~an earned income tax credit~~ a California Earned Income Tax Credit, a Cost-of-Living Refund, in an amount equal to an amount determined in accordance with Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal income tax purposes for the taxable year, except as otherwise provided in this section.

(2) (A) The amount of the credit determined under Section 32 of the Internal Revenue Code, relating to earned income, as modified by this section, shall be multiplied by the earned income tax credit adjustment factor for the taxable year.

(B) Unless otherwise specified in the annual Budget Act, the earned income tax credit adjustment factor for a taxable year beginning on or after January 1, 2015, shall be 0 percent.

(C) The ~~earned income tax credit~~ California Earned Income Tax Credit, a Cost-of-Living Refund, authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit.

(b) (1) In lieu of the table prescribed in Section 32(b)(1) of the Internal Revenue Code, relating to percentages, the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	7.65%	7.65%
1 qualifying child	34%	34%
2 qualifying children	40%	40%
3 or more qualifying children	45%	45%

(2) (A) In lieu of the table prescribed in Section 32(b)(2)(A) of the Internal Revenue Code, the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$3,290	$3,290
1 qualifying child	$4,940	$4,940
2 or more qualifying children	$6,935	$6,935

(B) Section 32(b)(2)(B) of the Internal Revenue Code, relating to joint returns, shall not apply.

(c) (1) Section 32(c)(1)(A)(ii)(I) of the Internal Revenue Code is modified by substituting "this state" for "the United States."

(2) For each taxable year beginning on or after January 1, 2018, Section 32(c)(1)(A)(ii)(II) of the Internal Revenue Code is modified by deleting "25 but not attained age 65" and inserting in lieu thereof the following: "18."

(3) Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting "plus" and inserting in lieu thereof the following: "and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code."

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall not apply.

(4) For taxable years beginning on or after January 1, 2017, paragraph (3) shall not apply and in lieu thereof Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting "plus" and inserting in lieu thereof the following: "and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code, plus."

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall apply.

(5) Section 32(c)(3)(C) of the Internal Revenue Code, relating to place of abode, is modified by substituting "this state" for "the United States."

(d) Section 32(i)(1) of the Internal Revenue Code is modified by substituting "$3,400" for "$2,200."

(e) (1) In lieu of Section 32(j) of the Internal Revenue Code, relating to inflation adjustments, for taxable years beginning on or after January 1, 2016, the amounts specified in paragraph (2) of subdivision (b) and in subdivision (d) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(2) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, when recomputing the amounts referenced in paragraph (1), the percentage change in the California Consumer Price Index shall be deemed to be the greater of 3.1 percent or the percentage change in the California Consumer Price Index as calculated under subdivision (h) of Section 17041 for that taxable year.

(3) For each taxable year beginning on or after January 1, 2019, and before January 1, 2020, when recomputing the amounts referenced in paragraph (1), the percentage change in the California Consumer Price Index shall be deemed to be the greater of 3.5 percent or the percentage change in the California Consumer Price Index as calculated under subdivision (h) of Section 17041 for that taxable year.

(f) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.

(g) (1) The Franchise Tax Board may prescribe rules, guidelines~~, or procedures necessary or appropriate~~ procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(2) (A) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent

improper claims from being filed or improper payments from being made with respect to net earnings from self-employment.

(B) The adoption of any regulations pursuant to subparagraph (A) may be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, these emergency regulations shall not be subject to the review and approval of the Office of Administrative Law. The regulations shall become effective immediately upon filing with the Secretary of State, and shall remain in effect until revised or repealed by the Franchise Tax Board.

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

(i) (1) For the purpose of implementing the credit allowed by this section for the 2015 taxable year, the Franchise Tax Board shall be exempt from the following:

(A) Special Project Report requirements under State Administrative Manual Sections 4819.36, 4945, and 4945.2.

(B) Special Project Report requirements under Statewide Information Management Manual Section 30.

(C) Section 11.00 of the 2015 Budget Act.

(D) Sections 12101, 12101.5, 12102, and 12102.1 of the Public Contract Code.

(2) The Franchise Tax Board shall formally incorporate the scope, costs, and schedule changes associated with the implementation of the credit allowed by this section in its next anticipated Special Project Report for its Enterprise Data to Revenue Project.

(j) (1) In accordance with Section 41 of the Revenue and Taxation Code, the purpose of the California Earned Income Tax ~~Credit~~ Credit, a Cost-of-Living Refund, is to reduce poverty among California's poorest working families and individuals. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The number of individuals represented on tax returns claiming the credit.

(C) The average credit amount on tax returns claiming the credit.

(D) The distribution of credits by number of dependents and income ranges. The income ranges shall encompass the phase-in and phaseout ranges of the credit.

(E) Using data from tax returns claiming the credit, including an estimate of the federal tax credit determined under Section 32 of the Internal Revenue Code, an estimate of the number of families who are lifted out of deep poverty by the credit and an estimate of the number of families who are lifted out of deep poverty by the combination of the credit and the federal tax credit. For the purposes of this subdivision, a family is in "deep poverty" if the income of the family is less than 50 percent of the federal poverty threshold.

(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the

Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(k) ~~The~~ (1) For taxable years beginning on or after January 1, 2015, and before January 1, 2019, the tax credit allowed by this section shall be known as the California Earned Income Tax Credit.

(2) For taxable years beginning on or after January 1, 2019, the tax credit allowed by this section shall be known as the California Earned Income Tax Credit, a Cost-of-Living Refund.

(*l*) The amendments made to this section by Chapter 722 of the Statutes of 2016 shall apply to taxable years beginning on or after January 1, 2016.

(m) (1) For each taxable year beginning on or after January 1, 2017, and before January 1, 2018, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars ($100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars ($250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	2.20%	1.22%
1 qualifying child	3.10%	2.29%
2 qualifying children	2.13%	3.45%
3 or more qualifying children	2.12%	3.49%

(2) For each taxable year beginning on or after January 1, 2017, and before January 1, 2018, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars ($100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars ($250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$5,354	$5,354
1 qualifying child	$9,484	$9,484

2 qualifying children	$13,794	$13,794
3 or more qualifying children	$13,875	$13,875

(n) (1) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred three dollars ($103) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty-eight dollars ($258) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	2.20%	1.08%
1 qualifying child	3.10%	2.00%
2 qualifying children	2.13%	2.82%
3 or more qualifying children	2.12%	2.85%

(2) For each taxable year beginning on or after January 1, 2018, and before January 1, 2019, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred three dollars ($103) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty-eight dollars ($258) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	$5,520	$5,520
1 qualifying child	$9,778	$9,778
2 qualifying children	$14,222	$14,222
3 or more qualifying children	$14,305	$14,305

~~(3) For taxable years beginning on or after January 1, 2019, the amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.~~

(o) (1) For each taxable year beginning on or after January 1, 2019, for an eligible individual with one or more qualifying children, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to eight hundred dollars ($800) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	11.26%	4.35%
2 qualifying children	7.09%	5.63%
3 or more qualifying children	6.96%	5.71%

(2) For each taxable year beginning on or after January 1, 2019, for an eligible individual with one or more qualifying children, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to eight hundred dollars ($800) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
1 qualifying child	$8,360	$8,360
2 qualifying children	$13,269	$13,269
3 or more qualifying children	$13,530	$13,530

(3) For taxable years beginning on or after January 1, 2020, and until and including the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, both of the following shall occur:

(A) The amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(B) The phaseout percentage for each of the three categories of eligible individuals shall be recalculated by the Franchise Tax Board in such a manner that, for a taxpayer with an earned income of thirty thousand dollars ($30,000), the calculated amount of credit is equal to zero.

(4) For taxable years beginning after the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(5) For taxable years beginning on or after January 1, 2019, for an eligible individual without a qualifying child, in lieu of the table prescribed in paragraph (1) of subdivision (b) the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying child	7.65%	1.08%

(6) For taxable years beginning on or after January 1, 2020, and until and including the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, the phaseout percentage for an eligible individual without a qualifying child shall be recalculated by the Franchise Tax Board in such a manner that, for a taxpayer with an earned income of thirty thousand dollars ($30,000), the calculated amount of credit is equal to zero.

(7) For taxable years beginning after the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at fifteen dollars ($15) per hour, for an eligible individual without a qualifying child, the phaseout percentage in paragraph (5) shall apply.

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

17052.1. (a) (1) For each taxable year beginning on or after January 1, 2019, there shall be allowed against the "net tax," as defined by Section 17039, a young child tax credit to a qualified taxpayer, in an amount as determined under paragraph (2).

(2) (A) The amount of the young child tax credit shall be equal to one thousand one hundred seventy-six dollars ($1,176), multiplied by the earned income tax credit adjustment factor for the taxable year as specified for Section 17052.

(B) The young child tax credit allowable in any taxable year to any qualified taxpayer shall be limited to a maximum of one thousand dollars ($1,000).

(C) The young child tax credit shall be reduced by fifty dollars ($50) for each one hundred dollars ($100), or fraction thereof, by which the qualified taxpayer's earned income, as defined in Section 17052, exceeds the "threshold amount". For purposes of this section, the "threshold amount" shall be twenty-eight thousand dollars ($28,000).

(D) The young child tax credit authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit allowed under Section 17052.

(3) For taxable years beginning after the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at $15 per hour, the "threshold amount" in subparagraph (C) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(b) "Qualified taxpayer" means an eligible individual who has been allowed a tax credit under Section 17052 and has at least one qualifying child.

(c) "Qualifying child" shall have the same meaning as under Section 17052, except that the child shall be younger than 6 years old as of the last day of the taxable year.

(d) (1) The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(2) (A) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed or improper payments from being made with respect to net earnings from self-employment.

(B) The adoption of any regulations pursuant to subparagraph (A) may be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, these emergency regulations shall not be subject to the review and approval of the Office of Administrative Law. The regulations shall become effective immediately upon filing with the Secretary of State, and shall remain in effect until revised or repealed by the Franchise Tax Board.

(e) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer.

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

(g) (1) In accordance with Section 41 of the Revenue and Taxation Code, the purpose of the Young Child Tax Credit is to reduce poverty among California's poorest working families and young children. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The number of qualifying children represented on tax returns claiming the credit.

(C) The average credit amount on tax returns claiming the credit.

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(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

SEC. 3. Section 19851 of the Revenue and Taxation Code is amended to read:

19851. The Legislature finds and declares as follows:

(a) Congress created the federal earned income tax credit (EITC) in 1975 to offset the adverse effects of the Medicare and social security payroll taxes on working poor families and to encourage low-income workers to seek employment rather than welfare.

(b) Due to a relatively low percentage of federal earned income tax credit eligible persons who participate in the federal Earned Income Tax Credit program, hundreds of millions of federal dollars go unclaimed by the working poor in California.

(c) In 2015, the State of California authorized a state ~~EITC~~ EITC, a cost-of-living refund to amplify the poverty-reducing effects of the federal EITC for the poorest working Californians.

(d) In order to alleviate the tax burden on working poor persons and families, to enhance the wages and income of working poor persons and families, to ensure that California receives its share of the federal money available in the federal Earned Income Tax Credit program, to ensure that the poorest working Californians access the additional state ~~EITC,~~ EITC, a cost-of-living refund, and to inject additional federal money into the California economy, the state shall facilitate the furnishing of information to working poor persons and families regarding the availability of the federal and state earned income tax credit so that they may claim those credits on their federal and state income tax returns.

(e) It is the intent of this act to offer the most cost-effective assistance to eligible taxpayers through the following:

(1) Notices provided by their employers.

(2) Notices provided by state departments and agencies that serve those who may qualify for the ~~EITC.~~ federal EITC and state EITC, a cost-of-living refund.

(3) By taking steps to ensure that eligible Californians claim both the federal ~~and state EITC.~~ EITC and state EITC, a cost-of-living refund.

SEC. 4. Section 19852 of the Revenue and Taxation Code is amended to read:

19852. For purposes of this part, the following terms have the following meanings:

(a) "Employer" means any California employer who is subject to, and is required to provide, unemployment insurance to ~~his or her~~ their employees, under the Unemployment Insurance Code.

(b) "Employee" means any person who is covered by unemployment insurance by ~~his or her~~ their employer, pursuant to the Unemployment Insurance Code.

(c) "Federal EITC" means the federal earned income tax credit, as defined in Section 32 of the Internal Revenue Code.

(d) "California EITC" means the California ~~earned income tax credit,~~ Earned Income Tax Credit, a Cost-of-Living Refund, as defined in Section 17052 of the Revenue and Taxation Code.

(e) "State departments and agencies that serve those who may qualify for the federal EITC and the California ~~EITC"~~ EITC, a cost-of-living refund" means the following programs in the specified departments and agencies:

(1) The State Department of Education: free or reduced-price meal program and National School Lunch Program.

(2) Employment Development Department: California Unemployment Insurance.

(3) State Department of Health Care Services: the Medi-Cal program.

(f) The amendments made to this section by the act adding this subdivision shall apply to notices required pursuant to Section 19853 furnished on or after the effective date of that act.

SEC. 5. Section 19853 of the Revenue and Taxation Code is amended to read:

19853. (a) An employer shall notify all employees that they may be eligible for the federal EITC and the California ~~EITC~~ EITC, a cost-of-living refund within one week before or after, or at the same time, that the employer provides an annual wage summary, including, but not limited to, a Form W-2 or a Form 1099, to any employee.

(b) The state departments and agencies that serve those who may qualify for the federal EITC and the California ~~EITC,~~ EITC, a cost-of-living refund as defined in subdivision (e) of Section 19852, shall notify their program recipients that they may be eligible for the federal EITC and the California ~~EITC,~~ EITC, a cost-of-living refund, at least once a year during the months of January through April, or alternatively, shall provide this annual notification during a regularly scheduled contact with a recipient by telephone, mail, or electronic communication, or by an in-person communication. State departments or agencies that do not directly communicate with persons or households with persons who may qualify for the federal EITC and the California ~~EITC~~ EITC, a cost-of-living refund may communicate indirectly through agencies, districts, or regulated entities that serve eligible persons or households with eligible persons. Departments, agencies, and programs are encouraged to develop the most effective method to provide notice to recipients of federal EITC and California ~~EITC~~ EITC, a cost-of-living refund eligibility, as long as the notice contains substantially the same language as the notice described in Section 19854.

(c) The employer shall provide the notification required by subdivision (a) by handing directly to the employee or mailing to the employee's last known address either of the following:

(1) Instructions on how to obtain any notices available from the Internal Revenue Service and the Franchise Tax Board for this purpose, including, but not limited to, the IRS Notice 797 and information on the California ~~EITC~~ EITC, a cost-of-living refund at the ~~Web site~~ internet website www.ftb.ca.gov.

(2) Any notice created by the employer, as long as it contains substantially the same language as the notice described in paragraph (1) or in Section 19854.

(d) The employer shall not satisfy the notification required by subdivision (a) by posting a notice on an employee bulletin board or sending it through office mail. However, these methods of notification are encouraged to help inform all employees of the federal EITC and the California ~~EITC.~~ EITC, a cost-of-living refund.

(e) The amendments made to this section by the act adding this subdivision shall apply to notices furnished on or after the effective date of that act.

SEC. 6. Section 19854 of the Revenue and Taxation Code is amended to read:

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19854. (a) The notice furnished to employees regarding the availability of the federal EITC and the California ~~EITC~~ EITC, a cost-of-living refund shall state as follows:

BASED ON YOUR ANNUAL EARNINGS, YOU MAY BE ELIGIBLE TO RECEIVE THE EARNED INCOME TAX CREDIT FROM THE FEDERAL GOVERNMENT (FEDERAL EITC). THE FEDERAL EITC IS A REFUNDABLE FEDERAL INCOME TAX CREDIT FOR LOW-INCOME WORKING INDIVIDUALS AND FAMILIES. THE FEDERAL EITC HAS NO EFFECT ON CERTAIN WELFARE BENEFITS. IN MOST CASES, FEDERAL EITC PAYMENTS WILL NOT BE USED TO DETERMINE ELIGIBILITY FOR MEDICAID, SUPPLEMENTAL SECURITY INCOME, FOOD STAMPS, LOW-INCOME HOUSING, OR MOST TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PAYMENTS. EVEN IF YOU DO NOT OWE FEDERAL TAXES, YOU MUST FILE A FEDERAL TAX RETURN TO RECEIVE THE FEDERAL EITC. BE SURE TO FILL OUT THE FEDERAL EITC FORM IN THE FEDERAL INCOME TAX RETURN BOOKLET. FOR INFORMATION REGARDING YOUR ELIGIBILITY TO RECEIVE THE FEDERAL EITC, INCLUDING INFORMATION ON HOW TO OBTAIN THE IRS NOTICE 797 OR ANY OTHER NECESSARY FORMS AND INSTRUCTIONS, CONTACT THE INTERNAL REVENUE SERVICE BY CALLING 1-800-829-3676 OR THROUGH ITS ~~WEB SITE~~ INTERNET WEBSITE AT WWW.IRS.GOV.

YOU ALSO MAY BE ELIGIBLE TO RECEIVE THE CALIFORNIA EARNED INCOME TAX ~~CREDIT~~ CREDIT, A COST-OF-LIVING REFUND (CALIFORNIA ~~EITC)~~ EITC, A COST-OF-LIVING REFUND) STARTING WITH THE CALENDAR YEAR 2015 TAX YEAR. THE CALIFORNIA ~~EITC~~ EITC, A COST-OF-LIVING REFUND IS A REFUNDABLE STATE INCOME TAX CREDIT FOR LOW-INCOME WORKING INDIVIDUALS AND FAMILIES. THE CALIFORNIA ~~EITC~~ EITC, A COST-OF-LIVING REFUND IS TREATED IN THE SAME MANNER AS THE FEDERAL EITC AND GENERALLY WILL NOT BE USED TO DETERMINE ELIGIBILITY FOR WELFARE BENEFITS UNDER CALIFORNIA LAW. TO CLAIM THE CALIFORNIA EITC, EVEN IF YOU DO NOT OWE CALIFORNIA TAXES, YOU MUST FILE A CALIFORNIA INCOME TAX RETURN AND COMPLETE AND ATTACH THE CALIFORNIA ~~EITC~~ EITC, A COST-OF-LIVING REFUND FORM (FTB 3514). FOR INFORMATION ON THE AVAILABILITY OF THE CREDIT, ELIGIBILITY REQUIREMENTS, AND HOW TO OBTAIN THE NECESSARY CALIFORNIA FORMS AND GET HELP FILING, CONTACT THE FRANCHISE TAX BOARD AT 1-800-852-5711 OR THROUGH ITS ~~WEB SITE~~ INTERNET WEBSITE AT WWW.FTB.CA.GOV.

(b) The amendments made to this section by Chapter 294 of the Statutes of 2016 apply to notices furnished on or after January 1, 2017.

SEC. 7. Section 11322.5 of the Welfare and Institutions Code is amended to read:

11322.5. (a) It is the intent of the Legislature to do each of the following:

(1) Maximize the ability of CalWORKs recipients to benefit from the federal ~~or state~~ Earned Income Tax Credit ~~(EITC),~~ (EITC) and the California Earned Income Tax Credit, a cost-of-living refund (EITC, a cost-of-living refund) including retroactive

EITC and EITC, a cost-of-living refund credits and the Advance ~~EITC,~~ EITC and EITC, a cost-of-living refund, take advantage of the earned-income disregard to increase their CalFresh benefits, and accumulate credit toward future social security income.

(2) Educate and empower all CalWORKs participants who receive the federal ~~or state~~ EITC and California EITC, a cost-of-living refund to save or invest part or all of their credits in instruments such as individual development accounts, 401(k) plans, 403(b) plans, IRAs, 457 plans, Coverdell ESA plans, an account established pursuant to the California Secure Choice Retirement Savings Program (Title 21 (commencing with Section 100000), of the Government Code), restricted accounts pursuant to subdivision (a) of Section 11155.2, or 529 plans, and to take advantage of the federal Assets for Independence program and other matching funds, tools, and training available from public or private sources, in order to build their assets.

(b) It is the intent of the Legislature that counties encourage CalWORKs recipients to participate in activities that will maximize their receipt of the ~~EITC.~~ federal EITC and the California EITC, a cost-of-living refund. To this end, counties may do all of the following:

(1) Structure welfare-to-work activities pursuant to subdivisions (a) to (j), inclusive, of Section 11322.6 to give recipients the option of maximizing the portion of their CalWORKs benefits that meets the definition of "earned income" in Section 32(c)(2) of the Internal Revenue Code.

(2) Inform CalWORKs recipients of each of the following:

(A) That earned income, either previous or future, may make them eligible for the federal ~~or state EITC,~~ EITC and California EITC, a cost-of-living refund, including retroactive EITC and EITC, a cost-of-living refund credits and the Advance ~~EITC,~~ EITC and EITC, a cost-of-living refund increase their CalFresh benefits, and accumulate credit toward future social security income.

(B) That recipients, as part of their welfare-to-work plans, have the option of engaging in subsidized employment and grant-based on-the-job training, as specified in Section 11322.6, and that participating in these activities will increase their earned income to the extent that they meet the requirements of federal law.

(C) That receipt of the federal ~~or state~~ EITC and California EITC, a cost-of-living refund does not affect their CalWORKs grant and is additional tax-free income for them.

(D) That a CalWORKs recipient who receives the federal ~~or state~~ EITC and California EITC, a cost-of-living refund may invest these funds in an individual development account, 401(k) plan, 403(b) plan, IRA, 457 plan, 529 college savings plan, Coverdell ESA, an account established pursuant to the California Secure Choice Retirement Savings Program, or restricted account, and that investments in these accounts will not make the recipient ineligible for CalWORKs benefits or reduce the recipient's CalWORKs benefits.

(3) At each regular eligibility redetermination, the county shall ask a recipient whether the recipient is eligible for and takes advantage of the EITC. If the recipient may be eligible and does not participate, the county shall give the recipient the federal ~~or state~~ EITC and California EITC, a cost-of-living refund form and encourage and assist the recipient to take advantage of it.

LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, ______.
General Subject: Personal income taxes: credits: California Earned Income Tax Credit, a Cost-of-Living Refund: young child tax credit.

The Personal Income Tax Law, beginning on or after January 1, 2015, in modified conformity with federal income tax laws, allows an earned income tax credit against personal income tax, and a payment from the Tax Relief and Refund Account for an allowable credit in excess of tax liability, to an eligible individual that is equal to that portion of the earned income tax credit allowed by federal law as determined by the earned income tax credit adjustment factor, as specified. The law provides that the amount of the credit is calculated as a percentage of the eligible individual's earned income and is phased out above a specified amount as income increases. The law deems, for each taxable year beginning on or after January 1, 2018, and before January 1, 2019, the California Consumer Price Index as the greater of 3.1% or the percentage change in the California Consumer Price Index for the recomputation of specified earned income amounts, phaseout amounts, and the amount of disqualified income that would disallow this credit. The law provides that this credit shall be known as the California Earned Income Tax Credit.

This bill, for taxable years beginning on or after January 1, 2019, and before January 1, 2020, would deem the California Consumer Price Index as the greater of 3.5% or the percentage change in the California Consumer Price Index for the recomputation of those specified amounts. The bill, for taxable years on and after January 1, 2019, would revise the calculation factors to increase the credit amount for specified taxpayers. The bill, for taxable years beginning on or after January 1, 2020, and until and including the taxable year in which the minimum wage is set at $15 per hour, would require specified, revised calculation factors to be recomputed annually in the same manner as the recomputation of income tax brackets for eligible individuals with a qualifying child, but would require the Franchise Tax Board to recalculate the revised phaseout percentage in a manner that any eligible individual with an earned income of $30,000 per year would get credit equal to $0. The bill, for taxable years beginning after the taxable year in which the minimum wage is set at $15 per hour, would require the phaseout percentage to be recomputed annually in the same manner as the recomputation of income tax brackets for eligible individuals with a qualifying child, and would use a specified phase out percentage for eligible individuals without a qualifying child. The bill would rename the earned income tax credit as the California Earned Income Tax Credit, a Cost-of-Living Refund.

This bill would allow a refundable young child tax credit against the taxes imposed under the Personal Income Tax Law, for each taxable year beginning on or after January 1, 2019, in an amount equal to $1,176 multiplied by the earned income tax credit adjustment factor, not to exceed $1,000 per each qualified taxpayer per taxable year. The bill would require amounts of this credit in excess of the qualified taxpayer's tax liability to be paid to the qualified taxpayer from the Tax Relief and Refund Account.

Existing law establishes the continuously appropriated Tax Relief and Refund Account and provides that payments required to be made to taxpayers or other persons from the Personal Income Tax Fund are to be paid from that account, including any amount to be paid as an earned income tax credit in excess of any tax liabilities.

By increasing the amount of the California Earned Income Tax Credit, a Cost-of-Living Refund, and allowing a refundable young child tax credit to be paid with funds from the Tax Relief and Refund Account, and thus, authorizing new payments from that account for additional amounts in excess of personal income tax liabilities, this bill would make an appropriation.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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