



Low EITC and CalEITC take-up among eligible California families

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From August 2020 - April 2021, we interviewed 411 families with young children who were eligible for the earned income tax credit (EITC) to learn about take-up of the federal EITC and California EITC (CalEITC) for the 2019 tax year.

Background

The EITC and CalEITC can provide up to \$7,000/year to eligible, low-income families who file taxes and claim these benefits.¹ EITC receipt is known to improve physical and behavioral health.



About 2.8 million EITC-eligible CA families² and 3 million CalEITC-eligible families³ received benefits in 2019. Yet prior studies suggest take-up may be 80% for the federal EITC and 50% for the CalEITC.⁴

California households left \$2 billion on the table in 2018 because they don't take up EITC and CalEITC benefits.⁵

Study Key Findings

- **We reviewed tax returns and found that 25% of our EITC-eligible sample didn't receive benefits and 30% of our CalEITC-eligible sample didn't receive benefits.**
 - ✓ 1 in 10 eligible participants did not file taxes at all.
 - ✓ Even among eligible filers, 16% did not receive EITC benefits and 17% did not receive CalEITC benefits.
- **37% of study participants had never heard of the EITC and 70% had never heard of the CalEITC.**
 - ✓ These figures include 1 in 3 EITC recipients and 2 in 3 CalEITC recipients.
 - ✓ Lack of awareness predicted non-filing and non-claiming.
- **Filers using free tax prep services (VITA) were most likely to receive EITC and CalEITC benefits.**
 - ✓ Participants using Turbo Tax or CPAs were least likely.
- **Federal EITC receipt was lower among:**
 - ✓ Filers under 25 yrs. with kids.
 - ✓ Filers who spoke a language other than English.
- **CalEITC receipt was lower among filers under 35 yrs. with kids and those who spoke a language other than English.**
- In depth interviews revealed that lack of awareness and administrative hurdles were barriers. (see back)

Recommendations

- **Simplify system for benefit transfers, such as:**
 - ✓ Reducing paperwork and administrative burden for eligible families.
 - ✓ Structuring benefits using 'opt-out' vs. 'opt-in' mechanisms.
- **Consider new ways to promote EITC and CalEITC take-up:**
 - ✓ Focus on filers below the tax filing threshold.
 - ✓ Intensify outreach and promotional efforts.
- **Improve clarity of published eligibility criteria guidelines and targeted outreach, especially for younger filers with children.**
- **Ensure tax services and outreach efforts are available/accessible in many languages.**

¹ <https://www.ftb.ca.gov/file/personal/credits/EITC-calculator/Home>

² <https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc>

³ <https://www.ftb.ca.gov/about-ftb/data-reports-plans/california-earned-income-tax-credit-report-2019.pdf>

⁴ <https://www.capolicylab.org/wp-content/uploads/2021/07/Measuring-Take-up-of-the-CalEITC-with-State-Administrative-Data.pdf>

⁵ <https://www.csd.ca.gov/Shared%20Documents/2018-Update-Left-on-the-Table-Final-Report.pdf>

Study Participant Characteristics

\$20,235 average annual income

2 children on average

53% Latinx, 23% Black,
11% White, 12% Other race

28% Married

22% NorCal, 16% Central,
62% SoCal

91% participated in CalFresh
(SNAP) and/or WIC prior to the
COVID-19 pandemic



Ways to increase EITC awareness:

– Connect with social networks

“I learned about [the EITC] because I have older siblings... but other people don't know about it until somebody tells them.”

-Recipient (39 yrs., Black, SoCal)

– Link with safety net programs & services

“I think CalWORKS, nonprofit agencies, social services agencies, homeless shelters, and anywhere where you can identify people that need help [should provide information about the EITC].”

-Non-recipient/non-filer (46 yrs., Other race, NorCal)

– Work to improve tax prep services

“I saw [information about the EITC] on Turbo Tax.... We can click and they'll tell you a little bit more information. I ended up Googling it. But I think you really just have to stumble upon it, because I don't hear many people talk about it.”

-Recipient (29 yrs., Black, SoCal)

Critical barriers to filing & take-up:

– Complexity of the system

“A lot of us could qualify for [the EITC] on our taxes, but I didn't know what the qualifications were.... I just didn't know what it consisted of or how to get it.”

-Non-recipient/filer (23 yrs., Latina, SoCal)

“You could easily mis-enter information if you don't really know how to read your tax forms... especially when you [have] parents who have little to no education.... There's potential language barriers, maybe you're first generation or an immigrant.”

-Recipient (37 yrs., Black, SoCal)

– Fear of financial repercussions

“I feel like people are more scared that they're going to end up owing.”

-Non-recipient/non-filer (21 yrs., Latina, SoCal)

“Maybe people...think they have to pay the [EITC] back or it'll come back to haunt them later.”

-Recipient (29 yrs., Latina, NorCal)

– Requires overcoming multiple barriers

“Some people don't file [taxes] because they are procrastinating, or afraid they will owe. They're afraid that once they start filing, they have to continue to file, because now they're on the radar of the IRS.”

-Recipient (60 yrs., Black, SoCal)

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