DECEMBER 2016

Using Tax Policy to Address Economic Need:
An Assessment of California's New State EITC

The Stanford Center on Poverty and Inequality

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KEY FINDINGS

- We model the new California EITC as if it had been implemented in tax year 2013. We find that an estimated 614,000 tax filers and their family members (1.97 million individuals) could benefit from the credit.
- A less targeted state EITC that simply provides a 10 percent match to the federal EITC would reach many more Californians, but would cost much more than the California EITC and would provide far fewer dollars on average to each family that benefited ($236 vs. $629).
- Investing the dollar equivalent of the California EITC in an expansion of the Supplemental Security Income would reach somewhat more people, but the recipient families would receive a smaller amount ($439) on average. Expanding the CalFresh benefit by an amount equivalent to the California EITC would impact many more Californians, but would provide benefiting families with only $169 on average.
- An estimated 364,000 of the 2.20 million individuals living in deep poverty (as measured under the California Poverty Measure) are eligible for the state EITC, with an average family benefit of $464. Roughly 1.4 percent of California's deep poverty population (about 16,000 adults and 15,000 children) would be moved out of deep poverty if they made use of the state credit.

The federal Earned Income Tax Credit (EITC) is widely regarded as the country's most effective antipoverty program.[1] The federal EITC is quite substantial: It averaged nearly $2,400 for California filers who claimed it on their 2013 tax returns.[2] But many states nonetheless augment it with a supplementary earned income tax credit. Starting in 2015, California became one of 25 states to include a state EITC in its mix of social safety net programs.

This policy brief provides estimates of the number of tax filers who qualify for the new California EITC and the amounts they will receive. It does so by modeling the California EITC as if it had been implemented in tax year 2013.[3] We then examine the extent to which such a credit might reduce poverty and narrow poverty gaps among recipients and their family members. Finally, we compare the enacted policy to other potential program expansions in terms of cost, reach, average benefit, and poverty reduction.

Throughout, we rely on data from the American Community Survey (ACS), and we assess poverty status using the 2013 California Poverty Measure (CPM), the most recent CPM data available. The CPM, which is closely modeled on the Census Bureau's Supplemental Poverty Measure, categorizes individuals as poor based on an enhanced definition of family resources. This definition not only reflects pre-tax cash income, but also taxes and other necessary expenses paid, tax credits earned, and in-kind benefits received. The poverty level is then computed by comparing this augmented definition of resources against a threshold adjusted for county-level differences in cost of living.[4]

The EITC in Practice

Both the federal and the California EITC reduce or eliminate income taxes for certain workers. The federal credit and most state credits are refundable, meaning that filers receive a tax refund for the credit amount, even if they have no tax obligation. For most who qualify, the federal EITC more than offsets taxes paid, hence it typically serves as a supplemental source of income. The same is true of the California EITC (which is likewise refundable).

The federal EITC is not simply a percentage of earnings. Rather, it grows with earnings, remains fixed for a certain range of earnings, and then phases out gradually for those with higher earnings.[5] The California EITC is similar in structure, but does not plateau in the middle range of eligible incomes. For example, the credit in tax year 2015 for a single two-dependent filer is 40 percent of earnings up to $6,935, but then it immediately phases out as earnings rise above $6,935. The California EITC provides up to 85 percent of the federal EITC within the more limited California EITC income eligibility range. Figure 1 provides an illustration of the combined effect of the California and federal EITC for single tax filers with two qualifying children.[6] (Single, rather than married, filers make up the majority of those claiming the EITC.[7])

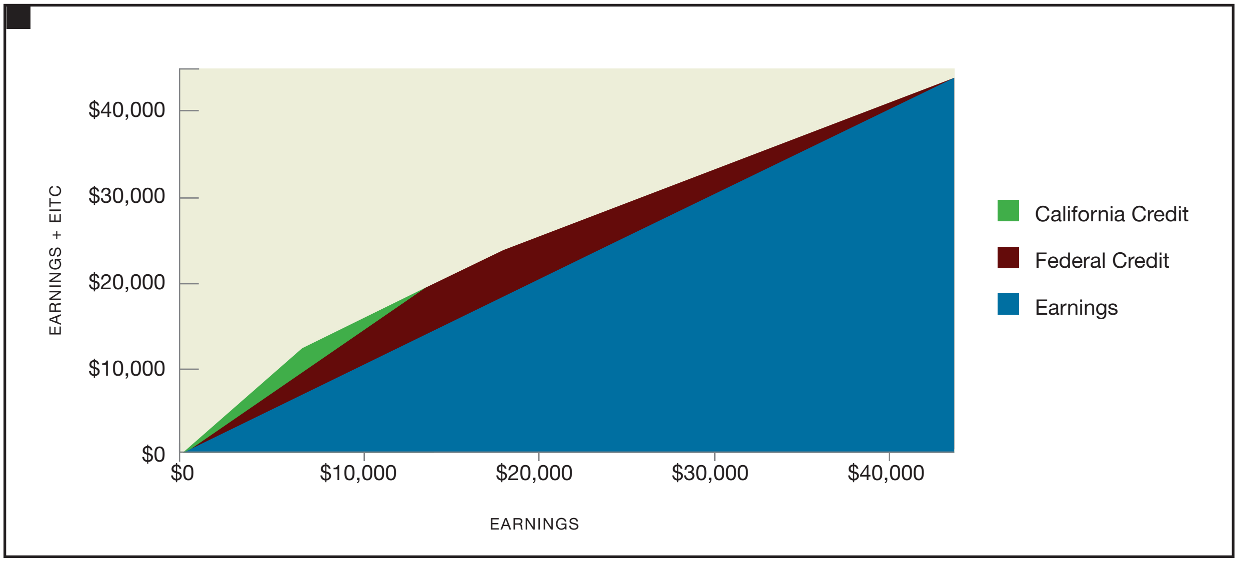
Both the federal and California credits are targeted primarily at those who can claim dependents. Even at very low annual earnings of $5,000, single filers with no dependents are eligible for only $104 in California EITC and $384 in federal EITC for tax year 2015 (Table 1). In contrast, similarly low earners with one dependent can claim $1,418 in California EITC and $1,709 in federal EITC, while those with two dependents are eligible for $1,692 in California EITC and $2,010 in federal EITC.

Unlike the federal credit, the California EITC is exclusively targeted to those with very low earnings. For example, the federal EITC amount peaks for single filers who claim two dependents at annual earnings of $13,650 to $17,830, and it phases out to zero when earnings equal $43,756. In contrast, the state EITC is at its maximum amount for this family at earnings of $6,935, and it is not available to those with earnings above $13,870.[8]

The California Poverty Measure

To assess the likely impact of California’s EITC on poverty, we use data from the California Poverty Measure (CPM). The CPM is part of a national effort to assess economic need with a measure that is both (a) more comprehensive than the Official Poverty Measure (OPM), and (b) valid for relatively small area units. The CPM is closely modeled on the Supplemental Poverty Measure (SPM) introduced by the U.S. Census Bureau and Bureau of Labor Statistics. Both the CPM and SPM

FIGURE 1. Earnings and EITC Credits for a Single Filer with Two Qualifying Children



Source: State and federal EITC parameters.

seek to address the recognized weaknesses of the OPM. Key improvements include using a more encompassing measure of family resources—importantly for this brief, by accounting for tax credit programs—updating poverty thresholds, and adjusting them for local differences in the cost of living.[9] The CPM then incorporates modifications to the SPM that address the specific demographic and policy context of California. It is based on the California sample of the ACS, which surveys roughly 350,000 Californians each year.[10]

About 21 percent of state residents were poor, as measured by the CPM, in 2011 through 2013. When poverty is measured with a supplemental-style measure, the poverty rate for California is much higher than the official rate. Indeed, as measured by the SPM over the period 2011-2013, California had the highest poverty rate of any state in the U.S.[11] California's high cost of living is a major reason for this high rate: The average poverty threshold for families with two adults and two children ($29,334) is 26 percent higher under the 2012 CPM than under the official poverty threshold for that same year ($23,283).[12]

We begin our analysis with a closer examination of California's recently enacted EITC and its role in reducing poverty among Californians. We put this discussion in national perspective by comparing the California EITC with an EITC plan commonly used in other states.

The CPM also allows us to analyze how social policy influences poverty because large-scale cash and non-cash government benefits are explicitly incorporated into the calculation of household resources. We exploit this feature of the CPM by constructing policy scenarios that alter the structure of government programs and then assess how such changes affect family resources and economic need. To put the policy choices represented by the state EITC in comparative context, we investigate two other similar-cost, hypothetical policy expansions: increased benefits for CalFresh food assistance recipients, and increased benefits to those receiving the supplemental state portion of the Supplemental Security Income program for blind, elderly, and disabled persons.

Estimating Effects of the California EITC

To model the effects of the California EITC, we begin by defining tax units, tax filer status, and federal EITC eligibility within the 2013 CPM. For all designated tax filers determined to be eligible for the California EITC, we then estimate a state EITC amount based on parameters derived from a California Legislative Analyst Office report on the state EITC.[13] Because we use 2013 CPM data for this analysis, all EITC parameters are converted to 2013 dollars before estimating EITC amounts. Consistent with the eligibility criteria for the California EITC, we exclude earnings from self-employment in calculating the state EITC, and we also exclude filers with

TABLE 1. California and Federal EITC Amounts at Selected Levels of Earnings

	$5,000 in Earnings	$10,000 in Earnings	$15,000 in Earnings
Single Filer, No Qualifying Children	$104 CA credit $384 federal credit	$0 CA credit $367 federal credit	$0 CA credit $0 federal credit
Single Filer, One Qualifying Child	$1,418 CA credit $1,709 federal credit	$0 CA credit $3,359 federal credit	$0 CA credit $3359 federal credit
Single Filer, Two Qualifying Children	$1,692 CA credit $2,010 federal credit	$1,324 CA credit $4,010 federal credit	$0 CA credit $5,548 federal credit

Note: Estimates for 2015 tax year, from California EITC calculator at http://caleitc4me.org/earn-it/.

investment income above the designated ceiling. All eligible filers are assumed to claim the California EITC.[14]

The key assumption in the analysis is that "all else is unchanged." We assume, in other words, that the only change in family resources is the additional EITC dollars. This is an unrealistic assumption most obviously because research has consistently shown that expanding the EITC prompts additional single adults with children to begin working.[15] Any entry into the workforce would of course increase earnings for these households and decrease the unemployment rate in the state. At the same time, increased employment could scale back eligibility for other government programs, although the EITC itself is not counted as income for the purposes of determining eligibility for most means-tested programs. The potential dynamic effects on both family resources and government spending are complex and are not considered here.

What, then, do our calculations show? We model the California EITC as if it had been implemented in 2013. We find that 614,000 tax filers are eligible to receive the credit, representing a little more than one-fifth of the number of tax filers who can claim the federal credit. The second important result is that the average credit is $629 per tax family. A total of $374 million is transferred to these tax filers and their families. This translates into 707,000 California children and 1.25 million California adults with additional resources from the state EITC.[16] We estimate that families with any member eligible for the California EITC could see their family resources increase by $629 on average.[17]

Changes in Income and Poverty

The foregoing results make it clear that the supplement benefits many filers. We next ask whether those who benefit from the supplement are lifted out of poverty.

We find that approximately 20,000 poor adults and 19,000 poor children live in families close enough to the poverty line to be moved out of poverty by the California EITC. This amounts to approximately 0.5 percent of the poor population and 0.9 percent of the poor child population. An additional 990,000 people in poverty (including about 353,000 children) benefit from the California EITC, although they remain in poverty. These individuals see their poverty gap reduced by an average of 12 percent. On average, families in poverty need $8,400—more than ten times the average California credit for benefiting families—to reach the poverty threshold.

We estimate that the remaining 943,000 individuals in families receiving the California EITC—a little less than half of all of beneficiaries—are above the CPM poverty line before receiving the credit. This result might seem surprising, given that the credit is targeted to tax filers with very low earnings. However, all individuals in a family are assumed to pool their resources for the purpose of determining poverty status, and families are often larger than those who file taxes together. In other words, low-earning filers who are eligible for the California EITC sometimes share resources with family members outside of their tax unit.[18] Indeed, we find that families above the poverty threshold who are receiving the California EITC have a median of two tax filers per family. For these families, average wages for the tax filer receiving the California EITC are $5,926, but average combined wages for all earners in the family are $29,677. Thus, many of the families benefiting from the California EITC who are already above the poverty threshold consist of low-earner tax filers cohabiting or living in extended families with other adults who provide additional earnings to support the family. In addition to their earned income, many families receiving the California EITC also receive substantial non-cash benefits, such as CalFresh, school meals, WIC, and housing subsidies, which are counted toward resources under the CPM. These in-kind benefits can also lift some low-wage-earning households above the poverty threshold. For families above the poverty threshold benefiting from the California EITC, these types of in-kind benefits total an average of $4,559.

Of particular concern are families living in deep poverty—in other words, those with resources under half of the CPM poverty threshold. These families may be more likely to qualify for the California EITC given its targeting to those with very low earnings. In total, about 364,000 of the 2.20 million individuals living in deep poverty are in families eligible for the state EITC, according to our estimates. We calculate the average family benefit for these individuals in deep poverty to be $464. The gap between their resources and the poverty threshold decreases by 3.9 percent on average as a result of the California EITC. About 1.4 percent of California's deep-poverty population (about 16,000 adults and 15,000 children) are moved out of deep poverty due to the state credit. Why aren't more moved out? It is because the supplement is relatively small and the average distance to the threshold (for deep poverty) is comparatively large.

The California EITC in Context

Another way of gauging effects of the California EITC is to compare it with other potential policies. We consider two important alternatives: (a) we first consider a differently structured state EITC; and (b) we then consider—in the next section—the implications of allocating $374 million (our estimated total direct cost for the state EITC) to other government programs that are also aimed at boosting the resources of vulnerable Californians. The technical appendix summarizes benefit amounts and program costs of several other types of state EITCs.

Half of the states have their own EITCs, and most are set to a percentage of the federal credit. Recall that we estimate that just over a fifth of federal EITC claimants in 2013 are eligible for the California EITC. In most other states with EITCs, essentially all federal claimants are eligible for the state EITC, given that it is structured as a percentage of the federal credit. In eight of these states, the state EITC is pegged to less than 10 percent of the federal credit. Four states peg their EITC at 10 percent of the federal credit, and 12 states peg at higher rates (between 14% and 40%).[19] Here we consider the median state peg of 10 percent. In other words, if a worker received $1,500 from the federal EITC, the state EITC would provide an additional $150.

We project that a mid-range state EITC of this form would touch many more Californians and would cost substantially more than the California EITC, but would provide fewer resources to recipients on average (Table 2). By contrast, the current California EITC offers a larger benefit to fewer people, targeted to those with the lowest earnings. Instead of 1.97 million Californians seeing increased resources from the state EITC, 9.66 million residents would benefit from this mid-range plan, and the total cost to the state would be about $633 million per year, or a 70 percent higher cost. A flat 10 percent state EITC would reach 3.28 million people living in poverty, more than three times that of the current California EITC. At the same time, we estimate that the average increase in family resources for individuals in families benefiting from the credit would be just $236, about a third of the estimated average California EITC benefit.[20] More individuals—we estimate about 71,000—would be moved above the poverty line with this type of EITC, because more beneficiaries would have family resources close enough to the poverty threshold to be raised above it by the credit amount. However, we estimate that the current California EITC moves nearly twice as many people out of deep poverty (31,000) as a mid-range state EITC (17,000) would. Because the federal EITC phases out at much higher earnings than the California EITC, a mid-range state EITC implemented in California would also benefit many more people already above the poverty threshold (6.38 million) than the existing California EITC (943,000).

TABLE 2. Comparison of California EITC and Mid-Range State EITC

	Total People Affected	Estimated Cost	Number Moved Above Poverty Threshold	Number Moved Above Deep Poverty Threshold	Number Remaining Poor with Decrease in Poverty Gap	Average Credit Amount Per Family
California EITC	1.97 million	$374 million	39,000	31,000	990,000	$629
Mid-Range State EITC (10% of federal)	9.66 million	$633 million	71,000	17,000	3.21 million	$236

Source: Authors' calculations from the 2013 CPM.
Note: Totals refer to number of individuals in families (CPM units) where any family member receives the California or mid-range EITC, rather than number of eligible tax filers.

Expanding CalFresh or SSI

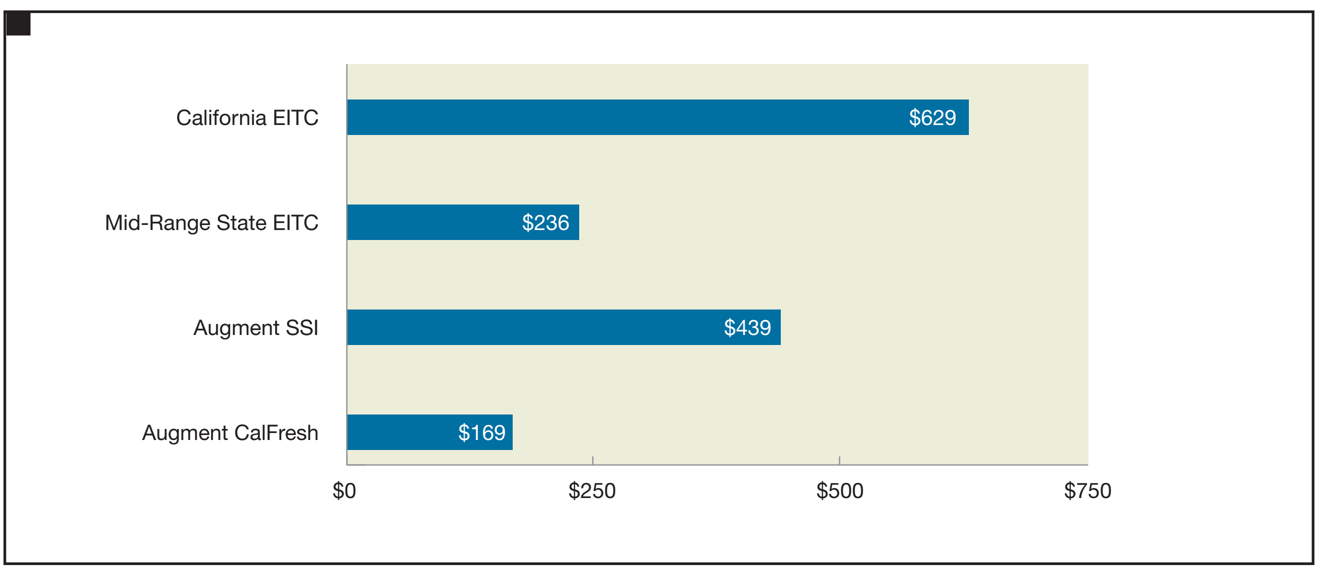
Another way to put the California EITC in perspective is to compare the effects of spending a similar amount of resources on expanding other programs with similar goals. We thus next consider alternatives involving (a) CalFresh, the state's Supplemental Nutrition Assistance Program (SNAP; formerly called food stamps); and (b) the Supplemental Security Income (SSI) for blind, elderly, or disabled individuals. These two programs provide good benchmarks for our purposes because they likewise aim to supplement the resources of vulnerable Californians.[21]

As with state EITCs, there are many ways to allocate additional resources to other government programs. We consider here a simple plan that entails spending $374 million in new funds by increasing benefits in the two programs by an equal percentage across current recipients. We assume no new recipients (which would increase the costs) and acknowledge that any program expansion could be designed in a number of different ways.[22] It is also important to note that both CalFresh and SSI have multiple goals and differing—although overlapping—populations of those eligible for benefits. Thus, the poverty lens that we take is clearly only a partial approach to judging the efficacy of these programs (and the EITC).

California already augments federal SSI payments with a supplemental state amount. Raising this state supplemental payment by $374 million in 2013 implies increasing the total federal and state benefits paid to California SSI recipients by 4.6 percent, or $439 per family annually. Among families with any SSI recipients, such an increase would have meant a net decrease in the family poverty gap of 12.8 percent on average. Augmenting CalFresh benefits by $374 million would have been equivalent to raising benefits by 5.1 percent, or $169 per family annually. Among families with any CalFresh recipients, such an increase would have meant a net decrease in the family's poverty gap of 4.6 percent on average.[23]

Figure 2 compares average amounts for families who would see increased resources from each actual or hypothetical program change. Figure 3 shows the total number of Californians whom we estimate would have been affected by such (hypothetical) benefit increases side by side with the total we estimate for the California EITC. Increasing SSI benefits would affect the smallest number of Californians (2.45 million total), although beneficiaries would receive a relatively large benefit on average. Because proportionately few SSI recipients are in deep poverty, this scenario touches many fewer individuals living in deep poverty (103,000) than the state EITC (364,000). By contrast, CalFresh is on the other

FIGURE 2. Projected Average Amounts Per Family (CPM Unit)

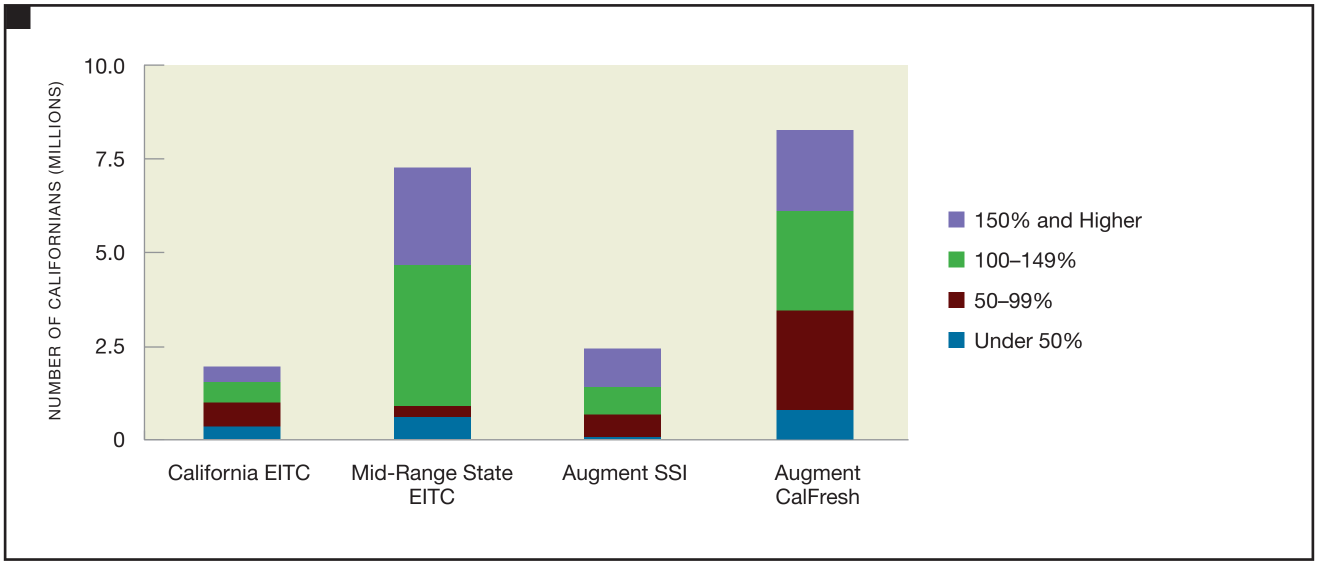


Source: Authors' calculations from the 2013 CPM.

end of the spectrum, with both the largest total number helped by a benefit increase (8.26 million) and the largest number in deep poverty (801,000) assisted, though with the smallest benefit amount. Figure 3 also shows that the mid-range state EITC (at a 70 percent higher total cost) would touch the largest number of poor Californians and the second-largest number of Californians living in deep poverty, albeit again with a smaller benefit amount.

We project that expanding SSI, as described above, would move 32,000 people above the poverty threshold and would reduce the poverty gap for 670,000 additional poor Californians (Table 3). We project that augmenting CalFresh benefits (again as described above) would move 48,000 residents above the CPM poverty line and would shrink the poverty gap for 3.40 million Californians. This simple CalFresh alternative would boost the resources of a much larger number of Californians than either augmenting SSI or the California EITC, but would do so by providing much smaller amounts on average to families (as with a mid-range EITC).

FIGURE 3. Total Individuals Affected by Program Augmentation by Percent of CPM Poverty Threshold



Source: Authors' calculations from the 2013 CPM.
Note: Initial poverty status is the family's estimated poverty status before adding augmented program benefits. Totals refer not to number of program participants, but to total recipients and family members who share resources with recipients. CalFresh and SSI participants may receive benefits for the entire year or for part of the year.

TABLE 3. Poverty Effects of Augmenting SSI and CalFresh Benefits by $374 Million

	Total People Affected	Number Moved Above Poverty Threshold	Number Moved Above Deep Poverty Threshold	Number Remaining Poor with Decrease in Poverty Gap	Average Amount Per Family
California EITC	1.97 million	39,000	31,000	990,000	$629
Augmented SSI	2.45 million	32,000	7,000	670,000	$439
Augmented CalFresh	8.26 million	48,000	15,000	3.40 million	$169

Source: Authors' calculations from the 2013 CPM.
Note: Totals refer to number of individuals in families (CPM units) where any family member receives the California EITC or increased benefit, rather than number of eligible tax filers or program participants.

Conclusion

Prior work using the CPM[24] shows that the federal EITC serves as an important antipoverty program in California. The question taken on here is whether the state's new EITC supplement likewise will have a big antipoverty effect. It is especially important to consider its effects on deep poverty given that the state supplement builds on the federal tax credit by targeting very low-earning workers.

We project that the California EITC will increase the resources of a substantial number of Californians living in poverty and deep poverty. At the same time, it will move relatively few across the CPM poverty threshold, thus it will have a limited effect on the measured CPM poverty rate. By comparing the California EITC to related policy alternatives (e.g., a mid-range state EITC, an expansion of CalFresh or SSI), we also show that there are trade-offs in terms of the total number of individuals benefiting, the amount each family receives, and the share of benefits directed to individuals in deep poverty, those in poverty, or those above the poverty threshold.

Research has also consistently shown that EITC expansions provide an incentive to work. Although these effects were not considered here, it is likely that additional adults in poverty will enter the labor market with the introduction of the California EITC, thus increasing its price tag. The twofold benefit, however, of this labor-supply effect is additional reductions in poverty as well as corresponding reductions in the cost of other antipoverty government programs (such as CalFresh and CalWORKs).

Technical Appendix

In this appendix we provide additional estimates for three state EITC supplements with differing intended targeting:

1. Fifteen percent of the federal EITC, except 35 percent to filers with a child under age 5;

2. Sixty percent of the federal EITC for childless filers;

3. Both of the above credits.

These estimates rely on 2012 CPM data. For the first hypothetical program, we find that 170,000 individuals would be moved out of poverty, including roughly 80,000 children (equivalent to a 0.9 percentage point decline in the CPM child poverty rate, see Table A1). The impact is somewhat larger for the specifically targeted group of children under age 5, who would see a 1.4 percentage point decline in the CPM poverty rate.

The second scenario has a very small effect, moving 10,000 individuals out of poverty. The limited impact of the childless bonus is largely because the median state credit amount for childless recipients would be only approximately $177 (because of the low amount of the federal credit to which it is linked). The third scenario (both credits together) has essentially the same impact as the first scenario (as again shown in Table A1).

TABLE A1. Additional State EITC Scenarios

	Estimated Cost	Number Moved Above Poverty Threshold	Number with Decrease in Poverty Gap	CPM Poverty Rate Change	CPM Child Poverty Rate Change
15% of Federal EITC + 35% of Federal EITC for Filers with Young Children	$1.33 billion	170,000	3.12 million	–0.4	–0.9
60% of Federal EITC for Childless Filers	$149 million	10,000	0.78 million	0.0	0.0
Both Changes	$1.44 billion	180,000	3.12 million	–0.5	–0.9

Source: Authors' calculations from the 2012 CPM.
Note: Totals refer to number of individuals in families (CPM units) where any family member receives the additional EITC credit, rather than number of eligible tax filers.

Notes

1. Hoynes, Hilary. 2014. "A Revolution in Poverty Policy: The Earned Income Tax Credit and the Well-Being of American Families," *Pathways*, Summer 2014, pp. 23–27; Marr, Chuck, Chye-Ching Huang, Arloc Sherman, and Brandon Debot. 2015. EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds. Center for Budget and Policy Priorities, October 1, 2015. Available at http://www.cbpp.org/sites/default/files/atoms/files/6-26-12tax.pdf; Short, Kathleen. 2015. The Supplemental Poverty Measure: 2014. Current Population Reports P60-254. Washington, D.C.: U.S. Census Bureau.

2. See http://www.eitc.irs.gov/EITC-Central/eitcstats.

3. All 2015 EITC dollar amounts were adjusted to 2013 dollars.

4. Wimer, Chris, Beth Mattingly, Sara Kimberlin, Caroline Danielson, and Sarah Bohn. 2015. Poverty and Deep Poverty in California. Stanford, CA: Stanford Center on Poverty and Inequality.

5. The Tax Policy Center has a visualization of federal credit amounts for different types of filers (http://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit-eitc).

6. Dollar amounts refer to the 2015 tax year. Amounts are updated for inflation annually and can also be affected by changes in law.

7. Taxes are filed as single, joint, head of household, or dependent filer.

8. The EITC supplement approved in the California budget provides an 85 percent supplement to the federal EITC for the first half of the federal phase-in region, and then state benefits decrease for the remaining half of the federal phase-in region. There are two differences relative to the federal EITC: (a) the California EITC only counts wage income and not self-employment income; and (b) there is no higher phase-out income cutoff for married households. For additional details of the state credit, see Woolsey, Ryan, and Justin Garosi. 2015. May Revision: Earned Income Tax Credit Proposal. Sacramento, CA: Legislative Analyst's Office. Available at http://www.lao.ca.gov/LAOEconTax/Article/Detail/107.

9. For the latest SPM release, see: http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-258.pdf.

10. To create the CPM, we augment the information available in the ACS using the Current Population Survey (CPS) and aggregated information from state and federal administrative records. For details of the construction of the CPM, see Wimer et al., 2015, and Bohn, Sarah, Caroline Danielson, Matt Levin, Marybeth Mattingly, and Christopher Wimer. 2013. The California Poverty Measure: A New Look at the Social Safety Net. San Francisco: Public Policy Institute of California.

11. See https://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-251.pdf.

12. The averages reported here are population-weighted.

13. Woolsey & Garosi, 2015. The LAO also released a report describing several options for a state EITC in December 2014. See http://www.lao.ca.gov/Publications/Detail/3156.

14. FLT #408 - California Earned Income Tax Credit. Proposed trailer bill language. Retrieved from http://www.dof.ca.gov/budgeting/trailer_bill_language/forcasting_labor_and_transportation/documents/408EarnedIncomeTaxCredit_000.pdf. It is of course likely that some eligible earners will not claim the California EITC because they do not file taxes. However, the income information and family relationship information reported in the ACS, in combination with our imputation of unauthorized immigrant status, leads to underestimates of federal EITC receipt compared to IRS administrative totals (as is generally the case when calculating taxes using survey data). To compensate, we assume 100 percent take-up of the federal credit among those who appear to be eligible, and we make the same assumption about the state credit.

15. For example, the best estimate indicates that an $840 increase in EITC benefits would increase employment by 6 percentage points. Hoynes, Hilary, and Ankur Patel. 2015. "Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income." NBER Working Paper No. 21340. Cambridge, MA: The National Bureau of Economic Research.

16. These totals count both poor and non-poor EITC recipients.

17. The governor's proposal assumed that the cost in 2015 would be $380 million, that 825,000 filers would qualify, and that the average benefit would be $460. We thus estimate a similar total cost, but with fewer eligible tax filers and a higher average credit per filer. Discrepancies between our estimates and other estimates arise from three methodological differences. First, the CPM data refer to 2013, when the job market was less robust. As a result, relatively more people were eligible for larger amounts, while fewer were eligible for smaller amounts. Second, our estimates are based on census survey data, while the budget estimates appear to be based on administrative tax data. In this context, it is notable that the CPM underestimates the aggregate dollar value of federal EITC benefits to Californians by about 17 percent and underestimates the total number of EITC filers in California by about 11 percent, as compared to published IRS statistics for California for 2013 (Wimer et al., 2015).

18. An example of this situation is a low-wage working single mother with one child (a head-of-household tax filer eligible for the California EITC), living with her own mother who files taxes separately and contributes her own wages and/or benefits to family resources (or living with a cohabiting partner who files his own taxes and contributes his own wages and/or benefits to support the family).

19. See http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=293. Again, in calculating amounts received from this mid-range state EITC, we assume 100 percent take-up among those determined eligible by their self-reported income and family relationship in the 2013 ACS (see note 14 above).

20. The average mid-range EITC credit per eligible tax family would be $236, versus $629 per eligible California EITC tax family. As noted above, the average amount is higher per individual in families with any member receiving the credit because larger families receive larger credits.

21. We do not consider an expansion to CalWORKs, California's cash assistance program for families with children, in this brief. Such a calculation is possible, although somewhat more complex because of the potential that CalFresh benefits will be smaller if CalWORKs payments are increased.

22. Estimates of take-up of benefits do not exist for SSI. In the case of CalFresh, the estimated take-up of benefits in California was 63 percent in 2012 (see Cunnyngham, Karen. 2015. Reaching Those in Need: Estimates of Supplemental Nutrition Assistance Program Participation Rates in 2012. Princeton, NJ: Mathematica Policy Research.). As for the California EITC, we also do not calculate offsetting and reinforcing effects on family resources and on government spending. This more complex calculation would provide a fuller understanding of the potential effects of a program expansion.

23. All estimates are calculated for CPM families, which can coincide with SNAP and SSI benefit cases, but can be broader.

24. For example, Wimer et al., 2015; Bohn et al., 2013.

The Stanford Center on Poverty and Inequality

The Stanford Center on Poverty and Inequality (CPI) monitors trends in poverty and inequality, publishes *Pathways*, the country's leading magazine on poverty and inequality, supports research on the causes of poverty and inequality, and examines the effects of public policy on poverty and inequality.

The CPI is a program of the Institute for Research in the Social Sciences (IRiSS) at Stanford University. This research brief was partly supported by the U.S. Department of Health and Human Services (Office of the Assistant Secretary for Planning and Evaluation) and the Elfenworks Foundation. The contents of this report are solely the responsibility of the authors and do not necessarily reflect the views or official policies of the CPI, Stanford University, the Public Policy Institute of California, the U.S. Department of Health and Human Services, or the Elfenworks Foundation; nor does mention of trade names, commercial practices, or organizations imply endorsement by the U.S. Government or by any of these entities.

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