

WORKING TOWARD INCLUSION

LESSONS FROM CALIFORNIA'S CAMPAIGN TO EXPAND THE CAIEITC

This case study is part of a series examining the strategies and messages used by advocates to create, expand or protect state Earned Income Tax Credits.

BACKGROUND

California advocates began their 2017-2018 campaign to expand the state-level Earned Income Tax Credit (EITC) with an ambitious overarching vision: to create a more inclusive credit accessible to all low-income California workers who file taxes.

To that end, advocates set out to make three populations eligible for the CalEITC: single filers ages 18 to 24 (without dependent children), single filers older than 65 (without dependent children), and immigrant workers filing with Individual Taxpayer Identification Numbers (ITINs). In the end, the CalEITC was extended to include all workers over age 18, but the ITIN effort was rejected in final budget negotiations due to objections from the state administration. The state also raised the maximum income threshold to make those working full-time at California's rising minimum wage eligible for the credit and provided additional funding for free tax preparation assistance and CalEITC outreach.

California [adopted its state EITC](#) three years earlier in 2015 and had [already expanded](#) it to include self-employed workers, raise the income threshold, and increase education and outreach efforts. Advocates built on that momentum and the broad support already enjoyed by the relatively new CalEITC to wage another successful campaign.

CAMPAIGN STRUCTURE AND STRATEGY

To win the expansion, a large and diverse coalition aligned behind a unified goal to target not only legislators but also the governor's office, the Department of Finance, and the Franchise Tax Board.

Strategically set priorities laid a strong foundation for the campaign. Making all workers eligible for the credit aligned with California politics' growing focus on inclusion and would provide a strong foundation for eventually increasing the credit amount.



COALITION MEMBERS

Children's Defense Fund – California
(co-chair)

United Ways of CA
(co-chair)

50+1 Strategies / Economic Security
Project

Alameda County Community Food Bank

American Academy of Pediatrics –
California

California Asset Building Coalition

California Association of Food Banks

California Budget and Policy Center

California Coalition of Welfare Rights
Organizations

California Food Policy Advocates

California Immigrant Policy Center

California Partnership

California Reinvestment Coalition

Closing the Women's Wealth Gap

Common Sense Kids Action

County Welfare Directors Association

First Place for Youth

Food Banks of Contra Costa and Solano

Friends Committee on Legislation of
California

Golden State Opportunity

GRACE

Justice in Aging

Lutheran Office of Public Policy

National Association of Social Workers –
California

Next Gen America

PolicyLink

Prosperity Now

REDF

Rise Together Bay Area

Western Center on Law & Poverty

Young Invincibles

Youth Policy Institute

Instead of using economic modeling to justify pre-ordained priorities, advocates let the modeling lead them to their goals. During the summer of 2017, coalition leaders met with the California Budget & Policy Center (the Budget Center) to discuss options for expanding the CalEITC to more people. The Budget Center presented different options, estimating the cost of each along with how many people and what type of people would benefit. Being in communication long before the budget season began allowed them time to talk through many options.

At the same time, advocates met with legislative budget staff to learn about the issues legislators were independently pursuing and to determine whether there was political will to expand the CalEITC. The Budget Center also met with legislative staff to discuss the proposals. Getting the involvement and feedback of budget staff early in the process was key.

In the fall, the full coalition met to determine the goals of the campaign. They thought strategically about the pros and cons, considering where the opportunities were in the legislature. By early winter, after a few meetings, they agreed on a final set of priorities.

It was difficult for legislators to ignore the coalition, a potent collection of diverse groups aligned under one unified strategy – standing together instead of pitted against each other. The set of priorities also helped grow the coalition: the age expansions attracted groups like Justice in Aging and First Place for Youth, and the ITIN expansion attracted immigrant advocacy groups like California Immigrant Policy Center. The full coalition amounted to about 30 organizations.

The coalition started by creating a document and a [coalition letter](#) that outlined their priorities. They mapped which organizations in the coalition had connections to specific legislators and identified potential [cosponsors](#) for each segment of the expansion.

California's budget process [runs on a separate track](#) from its legislative process. While the EITC expansion would ultimately need to be passed in the budget, for a number of reasons – and particularly for organizing purposes – it was helpful to have [legislation](#). Advocates launched parallel efforts in the legislative and budget processes.

The coalition also worked closely with the executive branch. They emphasized that it was Gov. Jerry Brown (D) who proposed a state EITC in 2015 (after years of advocacy), and that expansion would be a way to build on his success. Advocates kept the governor's staff updated throughout the process – including the support the proposal was receiving in the legislature – which gave the administration the option to proactively include the EITC expansion in the May revision of the governor's budget proposal.

Advocates stressed the importance of their ongoing work with the Department of Finance, the chief fiscal policy advisor to the governor.

Coalition members met with the department several times, and some of the department's staff became key players in the expansion. Because the department prioritizes keeping costs low, advocates outlined how the CalEITC expansion would be a good return on investment by lifting people out of poverty and bringing additional revenue to local businesses and communities.

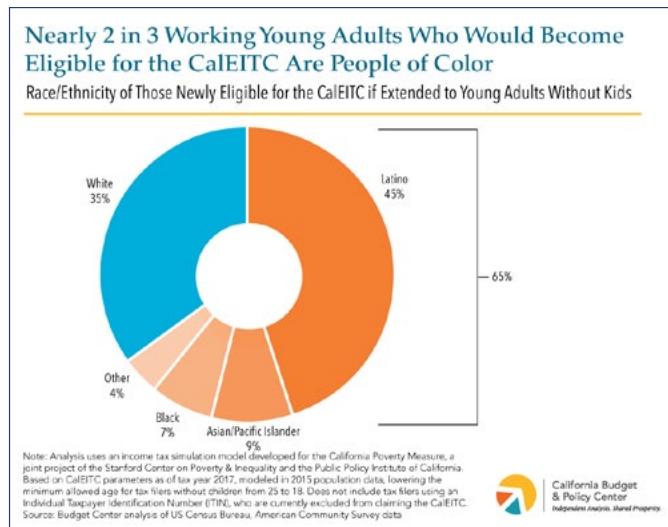
Working with the governor's office and the Department of Finance staff paid off: Gov. Brown included CalEITC expansion in his [revised budget proposal](#). He only included parts of the expansion, though, omitting the ITIN eligibility proposal, the increased outreach grants and the free tax prep assistance grants. Similarly, in the legislature, while the Assembly included the entire package, the Senate also left out the ITIN expansion.

ITINs are tax-processing numbers used by the federal Internal Revenue Service (IRS) to collect taxes from people who do not have Social Security numbers. According to the [IRS](#), ITIN filers pay over \$9 billion annually in payroll taxes, but they are ineligible for the federal EITC and all state-level EITCs.

Hoping to avoid political controversy and divisive headlines about immigration, advocates tried to keep the ITIN eligibility piece out of the spotlight and instead frame it as part of a larger mission to make all working Californians eligible for the EITC. When talking about ITIN, they framed it as a way to [reduce the harm](#) of a recently enacted federal tax bill that, starting in tax year 2019, denies the Child Tax Credit (CTC) to [children in immigrant working families](#) because they lack Social Security numbers.

Ultimately, the ITIN proposal died in final budget negotiations. While there was no active campaign against it, few legislators championed the issue, particularly in light of concerns from the administration about anticipated logistical difficulties with implementation. An analysis from the Franchise Tax Board predicted that extending the credit to households filing with ITINs could potentially create a number of problems including conflicts with the federal credit, improper payments, and troubles changing a system that's linked to the federal EITC for purposes such as verification.

Advocates pushed back, arguing it was possible for California to create its own system – but even some immigrant groups were concerned about potential risks to immigrant families as a result of the exposure and information sharing that would accompany new interaction with the IRS. In the end, there were too many complications and too little time to work out the implementation details.



But the other proposals [passed](#) as part of the state budget, expanding the CalEITC to an additional estimated [700,000](#) households. The CalEITC became available to workers ages 18 to 24 and older than 65 without dependent children, along with Californians working full time at the minimum wage of \$12 per hour.

KEY MESSAGES USED

- **We should make California EITC more inclusive.** The CalEITC was unavailable to large numbers of people who work but still struggle to make ends meet. The coalition argued that anyone with an eligible income who pays taxes should receive the CalEITC, and they used [demographic data](#) to show which groups would benefit from the expansion.
- **California EITC can improve on the federal credit.** The CalEITC, like most state-level EITCs, was originally modeled after and is linked to the federal EITC, but it does not need to follow the same rules. When meeting with finance and legislative groups, advocates asked them to think back to the 1970s when the federal EITC was enacted – how the job market differed for those younger than 25 and how pensions and retirement ages differed for those older than 65.
- **The EITC is an incentive, not a benefit.** Particularly when advocating to make the credit available to immigrants, advocates emphasized that the EITC is not a public benefit but a return of money that people earned, which incentivizes work.

LOOKING AHEAD

The 2018 expansion raised the income threshold to make Californians working full-time at the state's minimum wage eligible, but that was at the 2019 minimum wage of \$12 an hour. California is on track to increase its minimum wage to \$15 an hour by 2022. Advocates have expressed interest in tying the credit permanently to the minimum wage to automatically rise with its future increases.

Other potential areas of interest include: more focused advocacy for expanding the credit to ITIN filers, larger credits for the lowest income workers, changing how the credit is disbursed, and increasing resources for outreach and free tax prep assistance. Advocates may not know for certain what their next fight will be, but they know one thing: their winning coalition will decide on it together.

Tax Credits for Workers and Their Families (TCWF) is a strategic communications campaign working to promote the Earned Income Tax Credit, Child Tax Credit and other tax credits at the state and federal level. We offer communications support to advocates and policymakers working to enact new tax credits or improve existing ones. Our website (www.taxcreditsforworkersandfamilies.org) provides information, resources and tools to help community-based organizations and elected officials raise awareness about these important tax credits and help working families get ahead.

TCWF is a non-partisan initiative led by The Hatcher Group, a communications and public affairs firm dedicated to inspiring social change for good. For more information, contact Lauren Pescatore at (301) 656-0348 or lpescatore@thehatchergroup.com.