



CalEITC Falls Far Short of Its Full Reach

Measuring the CalEITC Take-up Gap among CalFresh enrollees

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SUMMARY

Some of our nation's most important anti-poverty programs are increasingly distributed through federal and state tax systems. This is true of the recent pandemic-related stimulus checks, but is also true of ongoing programs like the Earned Income Tax Credit (EITC) and the California Earned Income Tax Credit (CalEITC). These credits can provide a substantial financial boost to low-income Californians, but many of these households are at high risk of not receiving these tax credits because they are not required to file taxes. Understanding who does not receive these credits despite being eligible can shed light on how to ensure that all eligible Californians receive them. In this brief, we share the first-ever estimate of the CalEITC Take-up Gap, including the number of Californians enrolled in CalFresh who did not receive the CalEITC in 2017 and the dollar amount unclaimed.

KEY FINDINGS

- Almost one half of eligible CalFresh households did not receive the CalEITC in 2017.
- These households, comprising 626,000 CalFresh enrollees, missed out on \$76 million in unclaimed credits — more than 20% of CalEITC dollars distributed in 2017.
- Single adults without dependents and households with earned income under \$5,000 were least likely to claim the credit.
- CalFresh enrollees identified as Hispanic made up almost half of all eligible non-claimants. Eligible adults identified as American Indian or Alaskan Native were at highest risk for not receiving the CalEITC.

RECOMMENDATIONS

1. California should use existing administrative data to provide an annual estimate of the CalEITC Take-up Gap.
2. California should build on its prior and current efforts to send amended returns to filing non-claimants.
3. California should explore using existing administrative data to simplify tax filing for non-filers.
4. California should use existing safety-net touchpoints to boost tax filing.

INTRODUCTION

Delivering cash assistance through the tax system can be an **efficient** way to distribute assistance to families experiencing economic insecurity. For example, the federal EITC is the largest means-tested cash transfer program in the United States, providing crucial assistance **annually to over 7 million Californians**.

California introduced its own EITC (the CalEITC) in 2015 to supplement the federal EITC. This brief focuses on the CalEITC. Since being introduced, the state has made more people eligible for the credit while also increasing the value of the credit. In 2017, the CalEITC provided an average credit of \$266 to households making less than \$22,302. Households with children receive larger credits than those without children. While these credits may seem small in dollar amounts, they are meaningful supplements for Californians in deep poverty. For example, the average CalEITC refund covers a **month of groceries** for a single parent with one dependent.

To receive the CalEITC, eligible families need to file a tax return in which they claim the credit. However, many low-income households that qualify for the credit fall below the federal and state income thresholds that would require them to file a tax return (around \$12,000 for single filers and \$24,000 for those married filing jointly). Identifying who is eligible but not filing tax returns has been challenging for state agencies. The Internal Revenue Service (IRS) **estimates** that approximately one million eligible households in California did not claim the federal EITC in 2017. To date, there is no statewide estimate of the number of CalEITC-eligible families who do not receive the credit or the dollar amount of credits unclaimed — which we refer to as the CalEITC Take-up Gap.

This brief provides an estimate of CalEITC take-up among households enrolled in CalFresh. The CalFresh program, known federally as the Supplemental Nutrition Assistance Program (SNAP or food stamps), provided monthly food benefits to 5.6 million low-income households in 2017. We focus on CalFresh enrollees for several reasons. First, CalFresh is one of the largest safety-net programs in California, covering a significant proportion of the likely eligible population with a wide reach to low-income Californians.

Second, enrollment records for CalFresh include household information and earnings data, two factors critical for determining CalEITC eligibility. Having data on households and their earnings, regardless of whether they filed taxes, allows us to estimate eligibility among non-filers.

Third, CalFresh households are at higher risk of being eligible for and missing out on the credit than the average low-income Californian. Due to CalFresh income-eligibility rules, CalFresh enrollees are very likely to fall below the tax-filing income threshold, as well as the Adjusted Gross Income (AGI) thresholds for CalEITC eligibility. Using the American Community Survey (ACS), **we find** that households with CalFresh enrollees tend to have lower incomes, more people and more children than low-income California households without CalFresh enrollees. Since the CalEITC is targeted at the lowest-income households and the value of the credit increases with the number of children a filer has, households with CalFresh enrollees are more likely to qualify for the CalEITC and are likely eligible for higher credit amounts than households without CalFresh enrollees.

METHODOLOGY

CalEITC eligibility is determined by household composition and earnings. We use tax data and CalFresh data to analyze take-up among both people who file taxes (filers) and people who do not (non-filers). For non-filers, we use enrollment records from CalFresh to assign individuals to CalEITC-eligible households and we use linked earnings records from the Employment Development Department (EDD) to estimate earnings. We use linked 2017 tax filings from the California Franchise Tax Board (FTB) to see who filed their taxes and claimed the credit. For filers, we use tax filing data to measure earned income, and a combination of tax data and safety-net data to estimate the number of children who may qualify for the credit. We use 2017 filings because more recent data were not available for this analysis. All data were anonymized before CPL began its analysis. In our results, we address how changes in eligibility and outreach might have impacted take-up in more recent years.

Even with these linked data, determining eligibility for the CalEITC is not straightforward. For example, CalFresh households may differ in their composition from tax-filing units, due to differences in eligibility rules. Earnings in the tax data may also differ from the earnings recorded in EDD data. We therefore develop a process of constructing a CalEITC-eligible household (known as a tax unit) from the CalFresh data, which we describe in greater detail in our [working paper](#). Importantly, we are able to validate our process against actual tax-filing data.

We analyze take-up among both filers and non-filers. For filers, we rely on federal and state tax data to determine eligibility and take-up. Due to data sharing restrictions, we are only able to observe state and federal tax returns for e-filers, so we limit our analysis to the 87% of returns that are e-filed. Excluding paper filers likely results in our underestimating the CalEITC Take-up Gap (See Appendix B of the [working paper](#) for a further explanation of this issue). However, we observe whether CalFresh enrollees claimed the CalEITC regardless of how they filed their return.

One important limitation of our analysis is that it considers only the CalFresh population, and does not measure the total statewide CalEITC Take-up Gap. Many people who are eligible for the CalEITC do not receive CalFresh benefits. They may be enrolled in other programs, such as Medi-Cal, or they may not be enrolled in any government programs. Using the 2017 ACS, and accounting for the fact that SNAP [enrollment](#) tends to be [undercounted](#) in the ACS, we estimate that CalFresh enrollees make up roughly 55–65% of the total likely CalEITC-eligible population.

RESULTS

Almost half of CalEITC-eligible CalFresh households did not claim the CalEITC in 2017.

We estimate that 47% of CalEITC-eligible CalFresh households, roughly 440,000, did not receive the credit in 2017 (see [Table 1](#)). These non-claiming households make up a substantial part of the CalFresh population. Of the roughly 2 million households enrolled in CalFresh in 2017, about one in five (23%) were eligible for but did not receive the credit. Non-claiming households were eligible for an average credit of \$172, totaling \$76 million in unclaimed state credits. These unclaimed dollars represent over 20% of the total amount of all CalEITC funds (\$343 million) distributed in 2017.

About 30% of CalEITC-eligible CalFresh households also participate in CalWORKs, a cash assistance program for families with children. The Take-up Gap among these households is lower — only 26% of eligible households enrolled in both CalWORKs and CalFresh did not receive the credit. This lower Take-up Gap might be because CalWORKs households tend to be eligible for higher credit amounts than the average CalFresh family — \$393 versus \$172 — which is to be expected, given that all CalWORKs households have children, and households with children qualify for larger credits. We estimate these households missed out on a total of \$30 million in CalEITC credits in 2017 (see Appednx [Table A1](#)).

TABLE 1. Take-up of the CalEITC among CalFresh households

	HOUSEHOLDS (TAX-UNITS)	INDIVIDUALS	AVERAGE CLAIM	TOTAL
CalFresh enrollees	1,903,062	5,617,749	-	-
CalEITC-eligible enrollees	948,207	1,864,278	-	-
Received CalEITC	506,632	1,237,430	\$373	\$199,103,804
Did not receive CalEITC	441,575	626,848	\$172	\$75,718,585
Take-up Gap	47%	34%	-	-

Note: CalFresh households consist of actual and predicted tax-filing units. See methodology ([link](#)) for more details.

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

See Table A1 in the appendix for a version of Table 1 that also includes people enrolled in CalWORKs.

Our analysis only covers a portion of the statewide CalEITC Take-up Gap. We can roughly extrapolate the overall figure from our findings by making two simplifying assumptions. First, we assume using the 2017 ACS that CalFresh enrollees constitute roughly 55–65% of all CalEITC-eligible households. Second, we assume that CalEITC eligible households not enrolled in CalFresh have similar rates of take-up. Under those assumptions, the statewide Take-up Gap in 2017 was between 700,000 and 800,000 households.

Two-thirds of households in the Gap did not file state taxes.

CalFresh households in the Take-up Gap include those that filed state taxes but did not claim the CalEITC and also those that did not file a state tax return at all. This distinction matters because strategies to increase take-up of the CalEITC will differ between the two groups.

Two-thirds (66%) of eligible CalFresh households did not receive the credit because they did not file a state tax return (see [Table 2](#)). If these households also did not file a federal

tax return, they might not have received the federal EITC (our state data do not show those filing only a federal return). Because the recent stimulus payments were also distributed through the tax code (and based on previous tax filing), if these households also did not file a return in 2020, then they may have also missed out on thousands of dollars in [stimulus payments](#). For these non-filers, policymakers should focus on ways to make tax filing easier.

The remaining one-third (33%) of households in the Gap did file their taxes. Most of these households did not claim either the federal or state EITC, despite appearing eligible for both according to the information in their tax data. These households were eligible for an average of \$84 from the CalEITC and \$423 from the federal EITC (see [working paper](#)). Around 42,000 of these 150,000 households claimed the federal EITC, but not the CalEITC. These households missed an average of \$233 from the CalEITC.

TABLE 2. CalEITC take-up among CalFresh households, filers and non-filers

	FILERS*			
	NON-FILERS	CLAIMED FEDERAL BUT NOT STATE EITC	CLAIMED NEITHER FEDERAL NOR STATE EITC	NON-FILERS AND FILERS COMBINED
# of non-claiming households	289,765	42,024	109,786	441,575
Average unclaimed credit	\$196	\$233	\$84	\$172
% of group who used in-person paid tax preparers	-	92%	55%	66%*
Of unclaimed CalEITC \$, what percent is attributed to this group?	75%	13%	12%	100%
Total CalEITC \$ unclaimed	\$56,651,396	\$9,791,892	\$9,275,297	\$75,718,585

*among non-claiming filers only

Note: “In-person paid tax preparers” does not include online tax preparation websites or software where a filer may have had to pay to file taxes. Those filers are instead flagged as “self-prepared” returns in the data and cannot be distinguished from filers who used free online tax preparation services. CalFresh households consist of actual and predicted tax-filing units. See [working paper](#) for more details. Analysis limited to e-filers.

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

Eligible households who used in-person paid tax-preparation services appeared more likely to not claim the credit than households who used online services or free in-person services.

More than 150,000 households filed taxes but did not claim the CalEITC, leaving an estimated \$19 million unclaimed. Understanding why is important, although our ability to draw conclusions from the data are limited. We assume that tax data accurately reflects eligibility, which may not always be the case. Even so, one potential factor appears to be the type of tax-preparation service people use.

Most eligible filers who were enrolled in CalFresh did not receive the CalEITC used paid, in-person tax-preparation services (around 66% - see [Table 2](#)). Paid, in-person tax preparers includes corporate preparers as well as smaller businesses, but our data does not allow us to distinguish firms

by size. A quarter of CalFresh households who used paid, in-person tax preparation were eligible for but missed out on the CalEITC (see [Table 3](#)). By contrast, only 18% of CalEITC-eligible households that self-prepared their taxes or used online tax-preparation services missed out on the CalEITC. Strikingly, among eligible households that claim the federal EITC but not the CalEITC (despite filing state taxes), nearly all of them (92%) used an in-person, paid tax preparer.

It is unclear why households that used paid, in-person tax preparers missed out on the credit at a higher rate. These tax filers may have opted not to claim the CalEITC credit due to costs associated with claiming the credit. Some tax preparers charge fees to file additional forms, and both the state and federal EITC require a separate form to claim. Pinpointing what is driving this pattern is important to closing the Take-up Gap among filers.

TABLE 3. CalFresh filers in CalEITC take-up gap, by tax preparation method

	CALEITC- ELIGIBLE FILER ENROLLED IN CALFRESH	PERCENT OF EACH CATEGORY IN TAKE-UP GAP
Paid in-person tax prep	388,534	25%
Self-prepared and online tax prep	230,217	18%
VITA and free in-person tax prep	28,356	21%
Total	647,107	23%

Most eligible non-claimants were single, had no dependents, and earned less than \$10,000.

Understanding who is missing out on the credit, and how much they are missing out on, could provide insight into what is driving the Take-up Gap and where policymakers should focus efforts to close the Gap. Seventy-six percent of eligible households who did not claim the CalEITC in 2017 were single adults without dependents, with an average forgone CalEITC of \$85 (Table 4). Most did not file a state tax return.

Eligible households with dependents were much more likely to claim the credit than those without. However, the average amount unclaimed among households with dependents was also higher, close to \$500. While households with children represent only 22% of all non-claimants in 2017, because their average credits are higher, they represented over two-thirds of all unclaimed CalEITC dollars.

TABLE 4. CalEITC Take-up Gap by family composition

	# OF ELIGIBLE NON-CLAIMING HOUSEHOLDS	SHARE OF TOTAL ELIGIBLE NON-CLAIMANTS	AVERAGE CREDIT FORGONE	% OF EACH CATEGORY IN TAKE-UP GAP	% IN TAKE-UP GAP NOT FILING
Single, No children	336,416	76%	\$85	75%	67%
Single, 1+ child	82,747	19%	\$492	21%	60%
Married, No children	10,169	2%	\$82	48%	71%
Married, 1+ child	12,243	3%	\$448	17%	48%
Total	441,575	100%	\$172	47%	66%

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

Households with very low incomes were the least likely to receive the credit. Three in four eligible non-claiming households had less than \$10,000 in wage earnings in 2017 (Table 5). As earned income increases, the percent of households in the Take-up Gap generally decreases.

Though it is hard to know with certainty, this pattern suggests that some households eligible for small refunds may decide that the benefit is not worth the costs of filing. Note that this analysis is restricted to wage earnings. We are unable to observe other income, including from self-employment.

TABLE 5. CalEITC take-up by observed earned income

TOTAL EARNED INCOME	# OF ELIGIBLE NON-CLAIMANTS	SHARE OF TOTAL ELIGIBLE NON-CLAIMANTS	AVERAGE CREDIT FORGONE	% OF EACH CATEGORY IN TAKE-UP GAP	% IN TAKE-UP GAP NOT FILING
\$0–\$5,000	213,089	48%	\$176	73%	82%
\$5,000–\$10,000	112,484	25%	\$239	45%	58%
\$10,000–\$15,000	84,993	19%	\$99	40%	6%
\$15,000–\$20,000	21,844	5%	\$118	21%	<1%
\$20,000–\$25,000	9,165	2%	\$28	25%	<1%
Total	441,575	100%	\$172	47%	66%

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

Almost half of all eligible non-claimants in the data were identified as Hispanic. CalEITC-eligible adults identified as American Indian or Alaskan Native in the data were at highest risk of not receiving the credit.

To better understand who may not be receiving the CalEITC and inform future efforts to increase take-up, we also analyze take-up rates by race and ethnicity. Our ability to do this showcases the unique collaboration that supported this work: tax agencies do not collect information on race or ethnicity, but social services agencies generally do. Because race and ethnicity can vary among members of the same household, we report take-up at the individual level. The race and ethnicity variables we use for this analysis are from the Medi-Cal Eligibility Data System (MEDS), which contain a combination of self-reporting and social-worker visual identification (applicants were asked to provide their self-identified race/ethnicity, but if they did not mark anything the eligibility worker may have entered a value based on their own visual assessment. This practice was discontinued in 2020). Because of this mix in reporting, we say that individuals are “identified as” a particular group in the data.

CalFresh enrollees identified as Hispanic in the CalFresh data make up almost half of all non-claimants, around 43% ([Table 6](#)). When looking at take-up within each racial or ethnic category, eligible adults identified as American Indian or Alaskan Native are at highest risk for not receiving the CalEITC (54% - see [Table 6](#)). Around half of eligible adults identified as Black, White, and Native Hawaiian or Other Pacific Islander did not receive the credit. By contrast, only 31% of eligible adults identified as Asian did not receive the credit.

Strikingly, almost 80% of adults in the CalEITC Take-up Gap who are identified as Black, Alaskan Native, or American Indian did not file their taxes — 14 percentage points above the average. Why do these disparities exist in tax filing among eligible non-claimants? Are they reflective of additional racialized barriers to tax filing? Our data do not provide answers, but they raise important questions that deserve further exploration.

TABLE 6. CalEITC take-up by race and ethnicity

	# ELIGIBLE NON-CLAIMANTS	% TOTAL NON-CLAIMANTS	ADULTS		DEPENDENTS	
			% OF EACH RACE/ETHNICITY IN TAKE-UP GAP	% IN TAKE-UP GAP NOT FILING	% OF EACH RACE/ETHNICITY IN TAKE-UP GAP	% IN TAKE-UP GAP NOT FILING
American Indian or Alaskan Native*	4,505	1	54	79	29	79
Asian**	19,761	3	31	42	13	51
Asian or Pacific Islander**	4,921	1	36	57	20	68
Black	109,923	18	51	78	25	76
Hispanic	272,039	43	44	56	22	56
Native Hawaiian or Other Pacific Islander**	2,519	<1	50	72	30	75
Other/Unknown	66,294	11	44	68	21	69
White	146,234	23	49	74	24	76
Total	626,196	100	45	66	22	64

Note: Race/ethnicity variable from Medi-Cal Eligibility Data System (MEDS). The variable combines concepts of race and ethnicity. It is also a combination of self-reporting and social-worker visual identification (applicants are asked to provide their self-identified race/ethnicity, but if they do not mark anything the eligibility worker will enter a value based on their own visual assessment). Because of this mix in reporting, we say that individuals are “identified as” a particular group in the data. In 2020, CDSS discontinued this policy, only permitting self-identification of race and ethnicity. The demographic distribution of race/ethnicity in the CDSS data is comparable with the distribution of California households on food stamps by race/ethnicity from the American Community Survey (2019). Table excludes “Two or more races” due to small cell size.

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

* Our analysis captures individuals in safety-net programs administered by CDSS who identify as American Indian or Alaskan Native but do not live on tribal land and/or earn tribal income. Individuals who earn tribal income are exempt from state tax filing in California and may not appear as having received a payment automatically in our data. However, among those earners who qualify for safety-net programs, most are also likely eligible for tribal safety-net programs – such as the Food Distribution Program on Indian Reservations and Tribal TANF – and would not appear in the MEDS data.

** CDSS reports eight ethnicities that are grouped by the US Census into an “Asian” category (Asian Indian, Cambodian, Chinese, Filipino, Japanese, Korean, Laotian, and Vietnamese), and three ethnicities that are grouped by the US Census as “Native Hawaiian and Other Pacific” (Guamanian, Hawaiian, and Samoan). Due to small cell sizes, we are unable to report each category distinctly, and use the US Census race/ethnicity categories to best capture the distinct take-up rates across all these categories. CDSS also has a separate, distinct option in the data titled “Asian or Pacific Islander.” We are unable to meaningfully group that category and choose to report it separately.

Approximating Take-up in 2020

Another important question is how take-up among CalFresh enrollees has changed since 2017, the most recent year for which we have data. Expansions of the CalEITC since 2017 might mean more dollars are going unclaimed today. At the same time, growing awareness of the credit could mean more eligible households are claiming it. It's challenging to know for certain without more recent tax data.

Since 2017, the CalEITC has expanded significantly — both in who is eligible to claim it and in the value of the credit. For higher earning households, credit amounts have almost doubled. We estimate that these recent expansions in eligibility mean that at least 110,000 households enrolled in CalFresh were newly eligible for the CalEITC in 2020 (see [Table 7](#)), including:

- 55,000 non-filing households on CalFresh who are childless 18–24 year-old workers, over the age of 65, or who have earnings up to \$30,000; and
- 56,000 child-only CalFresh households who did not file in 2017 and are potentially eligible for the CalEITC. We assume that most of these parents are undocumented in child-only cases. There were around 150,000 non-filing, child-only CalFresh cases in 2017, and because we do not have parental income information, we apply the overall eligibility rate for non-filing CalFresh households (36%). There are an additional 153,000 filing households that use ITINs that will be newly eligible for the CalEITC, some of which may fall in the statewide CalEITC Take-up

Gap, but that are not CalFresh enrollees, so we do not count them here. See the appendix for more details.

While expanded eligibility could mean there are more potential dollars going unclaimed, it is also possible that other factors are instead causing more people to claim the credit. The state has greatly expanded its outreach to increase take-up, including spending tens of millions on public awareness campaigns and mandating employer notifications. Increases in credit amounts also may have induced additional claiming, and the introduction of the Golden State Stimulus in 2020 may have had a similar effect. For these reasons, it is possible take-up rates have increased since 2017.

Which trend, on balance, prevails? Below we present two scenarios for the Take-up Gap amongst CalFresh enrollees in 2020. In the first scenario, we assume that the take-up rate remains at 2017 levels (53%). In the second scenario, we conduct a threshold analysis and calculate how much the take-up rate would need to increase from 2017 levels for the overall CalEITC dollars left unclaimed by CalFresh enrollees to stay at \$76 million, or for the number of households not receiving the credit to remain at roughly half a million households. Under this second scenario, the take-up rate would need to increase from 53% to around 61% (a 15% increase), which would be difficult but possible with very successful outreach campaigns. The presence of additional tax credits in 2020 related to the pandemic may have also spurred more people to file taxes (to receive those credits), and as a result, also increased take-up of the CalEITC.

TABLE 7. Approximating the 2020 CalEITC Take-up Gap among CalFresh households

NUMBER OF HOUSEHOLDS IN 2020	SCENARIO 1: TAKE-UP REMAINS STEADY AT 53%		SCENARIO 2: TAKE-UP INCREASES TO 61%	
	TAKE-UP GAP AMOUNT	TAKE-UP GAP AMOUNT	TAKE-UP GAP AMOUNT	TAKE-UP GAP AMOUNT
2017 Take-up Gap		\$75,718,585		\$63,376,456
2017 non-filing CalFresh households that are newly eligible in 2020 because of ...				
age or income	55,493	\$5,078,623		\$4,250,807
mixed-immigration status	55,975	\$9,734,046		\$8,147,396
Total	553,043	\$90,531,254		\$75,774,659

Notes: Dollar figures assume 2017 household distribution among households newly eligible by age or income: with approximately 76% single without dependents at the tail-end of income distribution. For households with mixed-immigration status (all of which have children), assumes average credit amount of \$370, based on average ITIN filer credits for single filers with dependents (see Table A1). This amounts to an increase of take-up by ~16%, or approximately 79,000 additional households.

Our analysis demonstrates that safety-net and earnings data can be used to estimate CalEITC eligibility with some, but not perfect, accuracy.

In recent years, policymakers have asked whether administrative data can be used to accurately predict eligibility for anti-poverty tax credits such as the CalEITC. For example, recent legislation (Senate Bill 1409) requires the FTB to write a report, forthcoming later this year, that explores reducing barriers to tax filing, including collaborations between state agencies and the feasibility of “alternative filing systems.”

Our research here has a narrower scope. We use administrative data to generate estimates of CalEITC eligibility and take-up across all CalFresh enrollees. When thinking about whether this data alone can be used to precisely pinpoint household-level eligibility, or how to operationalize this data to potentially simplify tax filing, there are several important questions around administrative feasibility that our analysis cannot answer. But our analysis does demonstrate that administrative data can flag households that are likely eligible for and not receiving particular benefits.

Because eligibility for the CalEITC is based on earned income and family size, we focus on how information on earnings and household composition observed only in CDSS and EDD data compares to what is actually reported in households’ tax returns. First, we compare EDD’s quarterly earnings records to wages reported on the same households’ tax returns. We find that 78% of tax filers enrolled in CalFresh in 2017 had EDD wages that were within \$1,000 of wages reported on tax records. For the 22% with EDD wages more than \$1,000 off, two-thirds (64%) were underestimates of wages reported on tax records rather than overestimates (36%) (see [working paper](#)).

One important limitation of using EDD wages is that we are unable to observe self-employment income. This omission means we will understate CalEITC-qualifying earnings for some households. This would cause us to underestimate eligibility (and overestimate take-up) for households with lower incomes, and to overestimate eligibility (and underestimate take-up) for households with higher incomes. Among CalFresh households that file taxes, 17% reported positive self-employment income in tax year 2017, averaging \$9,000.

Next, we compare our predictions of who makes up a tax-filing unit in the CalFresh data to actual tax-filing units in the tax data. In particular, the CalEITC requires any “qualifying children” to reside with tax filers for at least half the year.

To see how well CDSS enrollment data can estimate the number of qualifying children in a household, we compare our estimated number of qualifying children from the CDSS data with the number of qualifying children actually listed on that household’s return. Using CDSS enrollment data, we can correctly estimate the number of qualifying children in 76% of cases. In nearly all cases (96%) we estimate the exact number of qualifying children or fewer children — meaning that the CDSS data can provide a conservative approach to determining CalEITC eligibility (see [working paper](#)). In other words, almost all errors in identifying the number of qualifying children (and CalEITC eligibility) are underestimates.

Overall, our analysis suggests that when we use CDSS data to estimate wages and qualifying children among adults enrolled in CalFresh who claimed the federal and state EITC, we are able to estimate their actual CalEITC amount within \$50 for 62% of tax-filing units. In most cases, we underpredict CalEITC claim amounts. Among the 38% of households for whom our estimated CalEITC is more than \$50 different than their actual claimed amount, the median difference is \$190.

We report these figures to show the aggregate accuracy of our estimates of the CalEITC Take-up Gap. Even though accuracy rates are high in the aggregate, there remain key gaps that could substantially lead to an overstatement or understatement of the credit amount or miscalculate eligibility for individual taxpayers. In practice, any *individual-level* uses of these data would need to confront discrepancies that might be major in an individual case, even if minor overall. To use administrative data to streamline tax filing, policymakers would need to resolve several questions, including thresholds for reliability and over and under payments, how to deal with possible over- or underpayments once the credit is paid to the taxpayer, and whether and how filers would need to confirm their information was accurate.

RECOMMENDATIONS

In 2021, thousands of dollars are at stake for many of these households. State law allows filers to [claim up to four years of past credits](#), and a one-time push to work with non-claiming households to claim credits from years past could help [pull many Californians out of poverty](#). Efforts to help families file past returns will also yield benefits beyond the CalEITC. It could allow families to also receive the \$600 Golden State Stimulus, \$3,200 in [federal stimulus checks](#), and the newly refundable Child Tax Credit (up to \$3,600).

It will take more than outreach to close the Take-up Gap.

Take-up Gap. Our previous work reaching out to more than one million low-income Californians to claim the 2017 and 2018 CalEITC suggests that [outreach alone is not enough to increase take up of the CalEITC](#) and that lack of awareness is not the problem. Rather, the complex process of filing taxes or correcting a return may deter eligible households, many of whom may not have consistent prior experience with the tax system. With the right resources, funding, and authority, there is potential for state agencies to use administrative data to help close the Take-Up Gap.

1. California should use existing administrative data to provide an annual estimate of the CalEITC Take-up Gap for Californians also enrolled in a safety-net program.

As demonstrated by this research, state agencies already collect most of the data needed to determine eligibility for potential non-claimants who are also enrolled in safety-net programs. We believe data from four agencies is critical: CDSS, EDD, and FTB, as used in this report, and also data from the Department of Health Care Services, which has Medi-Cal enrollment information. In particular, we believe that Medi-Cal enrollees make up most of the remainder of the statewide Take-up Gap, given that 90% of eligible Californians eligible for Medi-Cal are [enrolled](#) and that Medi-Cal's income eligibility captures most households that would be eligible for the CalEITC. Using administrative data to flag eligible non-claimants and produce annual estimates of the CalEITC Take-up Gap can help agencies target resources and interventions towards households that need assistance with claiming the payments and track progress towards closing the Take-up Gap.

2. California should build on its prior and current efforts to send amended returns for filing non-claimants.

During the rollout of the CalEITC in 2016, the FTB analyzed filed returns to determine if they were eligible for the CalEITC and sent amended returns with portions of the worksheet prefilled. This was a great first step: 18% of individuals who were contacted returned the worksheet. Our analysis suggests that many eligible filers still do not claim the CalEITC. The FTB should adopt this effort annually, like the IRS does for the federal credit, and [use best practices adopted by the IRS](#) to make progress towards closing the Take-up Gap among filers. Note that due to data sharing lags, these actions can only be taken after the relevant tax-filing season is over.

This effort would also build on current work, begun during the COVID-19 pandemic, in which FTB is following up with filers who are newly eligible for the CalEITC, or eligible for a greater credit, due to recent policy changes. This includes informing tax filers who received Unemployment Insurance benefits of their potential eligibility for the CalEITC due to recent tax-law changes and informing tax filers who received certain types of In-Home Supportive Services payments that a recent tax-appeal decision now allows the use of this income in calculating eligibility for the CalEITC. FTB's efforts also include sending a simplified worksheet to these taxpayers providing them a means of amending their return.

3. California should explore using existing administrative data to simplify state tax filing for non-filers.

Filling out a full tax return is complex: it requires time and expertise. Even when receiving free tax-preparation assistance, eligible households still [drop out of the process](#), for example when prompted for their W-2. For households already enrolled in safety-net programs, however, much of the information required on tax forms is available from existing state data sources. Though policymakers would need to determine its reliability, this administrative data could be used as a basis of a simplified tax-filing process for hard-to-reach non-filers. Understanding the feasibility of using this data to administer the credit will require careful investigation, and that is part of what is under consideration in FTB's forthcoming SB 1409 report.

4. Use existing touchpoints to verify identity and data for non-filers and conduct warm-hand offs:

Most CalFresh, CalWORKs, and Medi-Cal recipients have to routinely certify eligibility. At the time of certification, state and county agencies could identify if someone is likely eligible for the CalEITC, and where needed, verify specific pieces of unverified information needed for claiming the CalEITC. They could also make an appointment with a free tax-preparation service at the end of the interaction if needed — a best practice called a “warm-hand off.” Such changes to existing processes require resources and possibly legislative action. A well-resourced effort to meet social-service program enrollees at existing touchpoints could help close the Take-up Gap.

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APPENDIX

TABLE A1. Take-up of the CalEITC among households enrolled in CalFresh and CalWORKs

	HOUSEHOLDS (TAX-UNITS)	INDIVIDUALS	AVERAGE CLAIM	TOTAL
Subset also enrolled in CalWORKs	438,799	956,530		
CalEITC-eligible enrollees	286,067	716,419	-	-
Received CalEITC	210,302	542,337	\$586	\$110,184,912
Did not receive CalEITC	75,765	174,082	\$393	\$29,799,369
Take-up Gap	26%	24%	-	-

Note: CalFresh households consist of actual and predicted tax-filing units. See methodology in [working paper](#) for more details.

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

TABLE A2. ITIN filers in 2017 and estimated CalEITC benefit amounts (using 2017 eligibility rules)

# of eligible tax-filing units	153,133
# of eligible individuals	428,858
Average estimated CalEITC	\$307
Total CalEITC	\$47,011,831

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

TABLE A3. ITIN filers in 2017 and estimated CalEITC credits by family composition (using 2017 eligibility rules)

	# TOTAL HOUSEHOLDS	# ELIGIBLE HOUSEHOLDS	% ELIGIBLE WITHIN NUMBER OF ITIN UNITS	AVERAGE CLAIM
Single, No dependents	74,035	31,395	42%	\$88
Single, 1+ dependents	229,917	77,379	34%	\$370
Married, No dependents	44,267	6,161	14%	\$74
Married, 1+ dependents	263,388	38,198	15%	\$395
Total	611,607	153,133	25%	\$307

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).

TABLE A4. ITIN filers in 2017 and estimated CalEITC credits by observable earned income (using 2017 eligibility rules)

TOTAL WAGE EARNINGS	# TOTAL HOUSEHOLDS	# ELIGIBLE HOUSEHOLDS	% ELIGIBLE WITHIN ITIN HOUSEHOLDS	AVERAGE CLAIM
\$0–\$5,000	28,517	20,041	70%	\$336
\$5,000–\$10,000	29,086	28,151	97%	\$754
\$10,000–\$15,000	39,538	38,105	96%	\$347
\$15,000–\$20,000	54,115	41,276	76%	\$121
>\$25,000	74,458	25,561	34%	\$30
Total	611,607	153,133	25%	\$307

Source: California Department of Social Services data (2017) and Franchise Tax Board data (2017).