

San Francisco Chronicle

[OPINION](#)//[OPEN FORUM](#)

Billions in tax credits for working families go unclaimed. How the IRS and state can fix this

By Lia Fernald, Wendi Gosliner, Rita Hamad

April 10, 2024

An estimated \$11 billion in tax credits goes unclaimed annually because about 25% of eligible, working families aren't aware of the benefit or because the paperwork is too cumbersome. Peter Morgan/Associated Press

As Monday's tax filing deadline approaches, a staggering reality looms over California: hundreds of thousands of residents stand to lose out on vital tax credits designed to give their families an economic boost. Many working Californians are eligible for up to \$7,000 yearly from the federal earned income tax credit — the largest U.S. poverty alleviation program for families with children — and California's version of the benefit. But an estimated [\\$11 billion in tax credits nationally goes unclaimed](#) annually because [about 25% of eligible, working families](#) aren't aware of the benefit or because the paperwork is too cumbersome.

[Nearly one-third of Californians live in or near poverty](#), and things are especially hard for [families with young children](#). There is less access to [healthy food, health care and safe housing](#) for children living in poverty, which can affect cognitive, behavioral and physical development. Earned income tax credits can help. When benefits are delivered, these programs can lift working families out of poverty and improve outcomes for young children.

Let's say you are a family of four with an annual income of \$20,000; you would be eligible for about \$6,000 from the federal government and about \$450 from the state. If your income was \$10,000, you could get about \$4,000 in federal credit and \$3,000 from the state. Even though families may not be required to submit a tax return because their incomes are too low, they are [likely to be eligible for large federal and state benefits](#). These are refundable tax credits, meaning that if

the amount of credit exceeds what you owe, the IRS pays it back as a refund. In addition to providing direct support for families, the earned income tax credit has significant economic benefits for the state. In 2015, Californians claimed \$7.6 billion from the federal tax credit, which [one study found](#) generated an economic impact of \$9.6 billion in business sales, created a labor income of \$3.3 billion and supported 62,000 jobs because individuals receiving the credit are required to work. That's like the whole city of Santa Cruz suddenly becoming employed. In this way, the tax credits benefit families, businesses, schools and communities.

During the past three years, [our research team](#) spoke to hundreds of low-income Californians entitled to earned income tax credits to understand why they haven't received them. One key problem is the lack of awareness. When asked, "What do you know about the EITC?" many responses were similar to one mother, who said, "Not much. Zero." Another woman replied, "I know of it, but don't really know, you know, the details of it."

We learned in our interviews that filing taxes was a barrier, involving complicated paperwork that took too much time and money to complete. One participant said, "Most people don't know what they're doing when they file taxes." In fact, half the people we interviewed who filed taxes had paid \$100 to \$300 for tax preparation services even though they were eligible for free tax filing support.

[To qualify for the federal credit](#), you need an earned income under \$63,398, investment income below \$11,000 and a Social Security number; most people who get the credit also have [qualifying children](#). For the [state credit](#), the income cutoffs are lower, and you can file using an individual taxpayer identification number. To find out if you're eligible for federal, state or other tax credits for families with children, there is an [easy online calculator at](#) www.ftb.ca.gov/file/. There is [free help](#) from volunteer tax filers and other assistance for filing [federal](#) and [California](#) tax returns.

Great organizations are working to connect Californians with federal and state tax credits, such as [Golden State Opportunity](#), [United Way](#) and hundreds of local agencies. But state and federal initiatives such as [CalFile](#) and [Free File](#) aren't going far enough to simplify the process. The [IRS's Volunteer Income Tax Assessment](#) services are free, yet are understaffed and underutilized by people

who need them. Hardworking Californians should not have to depend on well meaning nonprofit organizations and volunteers to fill the gaps where our federal and state programs should be functioning.

The IRS needs to simplify tax filing through commonsense proposals to streamline the applications and make eligibility requirements less confusing. Taxpayers deserve free tax preparation support available in multiple languages throughout the state. Ideally, the federal and state earned income tax credits should be given directly to those who qualify without requiring any paperwork; the IRS [did this successfully in 2021](#) with the temporary expansion of the child tax credit.

These are hard times for too many families in California, and earned income tax credits can serve as a lifeline for those struggling. The California Franchise Tax Board and the IRS should not miss this opportunity to support working families with young children. State legislators can provide additional funding to the Tax Board to help make this critical safety net program more accessible and put money in the pockets of the hardworking Californians entitled to it.

Lia Fernald is a professor in community health sciences at UC Berkeley and has worked in public health for over 20 years. Wendi Gosliner is the director of food policy research and translation at the Nutrition Policy Institute for the UC Agriculture and Natural Resources division. Dr. Rita Hamad is an associate professor at the Harvard School of Public Health and a social epidemiologist and family physician who directs the Social Policies for Health Equity Research Center.

April 10, 2024
By Lia Fernald
By Wendi Gosliner
By Rita Hamad