MONEY IN THE POCKET DURING THE PANDEMIC:

RESULTS FROM A SANTA CLARA COUNTY PILOT TO INCREASE RECEIPT OF TAX CREDITS AMONG TRANSITION-AGE FOSTER YOUTH

AUGUST 2021

TABLE OF CONTENTS

JBAY

EXECUTIVE SUMMARY

PILOT PARTNERS: Amid the COVID-19 pandemic, the Santa Clara County Social Services Agency (Santa Clara County) and John Burton Advocates for Youth (JBAY) established a partnership to ensure current and former foster youth received state and federal tax credits and stimulus payments only accessible by filing taxes. Additional partners included Bill Wilson Center, California Franchise Tax Board (FTB), Corporate West Computer Systems, Inc., Court Appointed Special Advocates, Internal Revenue Service (IRS), Junior League of America, Law Foundation of Silicon Valley (LF), Pivotal, United Way Bay Area, and several dedicated Volunteer Income Tax Assistance (VITA) volunteers.

PILOT ACTIVITIES

As part of the pilot, the partners conducted four main activities:

- Established a Volunteer Income Tax Assistance (VITA) site at Santa Clara County's youth center, equipped to provide specialized tax filing assistance to current and former foster youth;
- Recruited and trained 12 volunteer tax preparers, two county staff, and six community-based providers to assist youth in their respective roles;
- Established policies and protocols for the Santa Clara County Social Services Agency to ensure youth were informed about tax filing and referred to the VITA site; and
- Developed youth-friendly outreach materials.

PILOT RESULTS

The 45 transition-age youth (TAY) who participated in the pilot collectively received $135,532 in tax refunds. This equated to an average tax refund per youth of $2,822, increasing their adjusted gross income by 17%. Custodial parents received an average tax refund of $6,605, increasing their adjusted gross income by 42%. Youth who were not custodial parents received an average tax refund of $2,279, increasing their adjusted gross income by 14%.

PILOT FINDINGS

In the process of conducting the pilot, several key findings emerged:

1. **INCOME:** Tax filings received through the pilot increased the annual income of pilot participants by an average of 17%, with an average tax refund and stimulus payment of $2,822.

2. **PARENTING YOUTH:** Youth who were custodial parents received an average return of $6,605, nearly triple the average return of single filers.

3. **STIMULUS PAYMENTS:** Pilot participants recovered missed state and federal stimulus payments—a full 60% of pilot participants recovered these payments through filing, collectively totaling $38,700.

4. **THEFT AND FRAUD:** The pilot uncovered a significant amount of identity theft and tax fraud—15% of pilot participants required the use of an identity theft pin or paper filing process due to someone fraudulently claiming their tax refund.

5. **TAX SUPPORT:** Pilot participants lacked formal supports to learn the tax filing process and permanent addresses where they could receive important tax documents throughout the year, necessary for filing and maximizing their refund.

6. **ACCOUNTABILITY:** The law is silent on tax filing and assistance for foster youth despite foster youth being held to the same standard as every other taxpayer, liable for fines and fees if they file incorrectly.

7. **AWARENESS:** Tax law in the United States is complex, and for many reasons adult supporters of foster youth do not have accurate information on hand to help answer questions and direct youth to free tax support.

8. **TIME AND EFFORT:** For each first-time filer, three to four hours of support was provided to assist with navigating the process from outreach to submitting the final return. For filers who had some experience with filing, one and a half to three hours of support was provided.

9. **VITA SITE ACCESS:** Many VITA sites were not operational during 2020 due to shelter-in-place orders, wildfires, or other public emergencies in the volunteer area. Youth and adult supporters across the state reported a range of challenges including having no VITA site within a 50-mile radius, appointments being fully booked for the season or sites not listed on the IRS public tool.

10. **VITA VOLUNTEER TRAINING:** VITA volunteers required additional training on how to handle foster youth-specific tax information, such as the possibility of income from foster care payments being confused as earned income, or how to help youth navigate difficult questions, particularly related to a parent's income or the youth's dependency status.

11. **OUTREACH MATERIALS:** Independent Living Programs currently offer classes and support with financial services and credit checks starting at age 16, but do not have an IRS-approved curriculum on tax filing and available financial services for youth because there are no federal or state outreach materials designed for this population.

PILOT RECOMMENDATIONS

This report provides recommendations at the local, state and federal levels to ensure youth receive the benefits for which they are eligible.

Local Recommendations Include

- Establish a county policy and protocol requiring case managers to support current and former foster youth during tax season;
- Partner with legal aid to provide support to current and former foster youth who have experienced identity theft and tax fraud; and,
- Establish a designated VITA site for current and former foster youth.

State-level Recommendations Include

- Make the California Earned Income Tax Credit (CalEITC) an entitlement, fashioned as guaranteed income for current and former foster and homeless youth;
- Double the award amount of the CalEITC and the Young Child Tax Credit for current and former foster youth;
- Dedicate state funds to raise awareness and maximize participation in tax credits and programs for current and former foster and homeless youth; and,
- Require collaboration between the California Franchise Tax Board (FTB) and California Department of Social Services to create and disseminate outreach materials for current and former foster youth and young parents.

Federal Recommendations Include

- Permanently expand the Earned Income Tax Credit for young adults ages 18 to 24 and the Child Tax Credit changes from The American Rescue Plan Act;
- Provide additional funding through the John H. Chafee Foster Care Program Successful Transition to Adulthood designated for tax outreach, preparation, technical assistance, and tax fraud support services; and,
- Create the Tax Counseling for Transition-age Youth program within the IRS VITA program.

BACKGROUND

Children enter foster care after experiencing serious abuse or neglect. While most youth are reunified with their families or adopted, approximately one in five remain in foster care into adulthood.[i] These "older youth," ages 18 to 21, are forced to navigate the transition to adulthood without the emotional or financial support of a family, resulting in high rates of homelessness and poverty. According to Chapin Hall's California Youth Transitions to Adulthood (CalYOUTH) Study, by age 21, 24.6% of foster youth had experienced homelessness and their average annual income was just $11,904, which is below the 2020 federal tax filing threshold.[ii]

WHY FOCUS ON TAXES DURING A PANDEMIC?

High Rates of Unemployment and Poverty, Exacerbated by the Pandemic

Transition-age foster youth experience high rates of unemployment—and subsequently poverty. The CalYOUTH Study found that at age 21 slightly more than half of foster youth (54.0%) worked 10 hours or more per week as compared to 64.7% of the same age population of non-foster youth. Of those who worked, their average annual income was $11,904. When compared with the same age population of non-foster youth, the study found that foster youth are significantly more likely to live below the poverty line: 70.4% of foster youth versus 50.9% of non-foster youth. These effects have been exacerbated by the pandemic. In JBAY's May 2021 survey, 68% of current and former foster youth reported that the pandemic had a direct impact on their employment. Among survey respondents, their employment dropped from 59% in February 2020 to 49% in May 2021.

Access to Pandemic Relief Payments

In 2020 and 2021 the federal government allocated funding for three federal stimulus payments using IRS tax information as the basis for distribution. Together, these three stimulus payments totaled $3,200 for individuals and $7,900 for an individual with one child. Unfortunately, many current and former foster youth did not receive a stimulus check because they may not have filed taxes or may have been claimed by a previous caregiver, experienced identity theft or tax fraud, or were unaware of the non-filer tool. A May 2021 survey found that

37% of foster youth in California had not received a federal stimulus payment.[iii]

In addition to federal stimulus payments, the State of California funded its own round of stimulus payments in the 2021-22 state budget, the Golden State Stimulus I and II, which will provide $600 to eligible individuals and an additional $500 to families with a qualifying child. Californians who are undocumented are eligible for $1,200 since they did not qualify for the federal stimulus payments. To receive the Golden State Stimulus a state tax return must be filed before October 15, 2021. See Table 1 in the Appendix for state and federal stimulus amounts in 2020 and 2021.

Recent Changes to State and Federal Tax Credits

A final key reason to focus on taxes during the pandemic is that tax credit programs have recently undergone important changes, making them more accessible to foster youth. Historically, young adults ages 18 to 24 were not eligible for the CalEITC unless they were custodial parents. In 2020, the California State Legislature modified the eligibility, making 18- to 24-year-old youth who are not custodial parents eligible to receive state tax credits. Depending on their household size and the number of children, 18- to 24-year-olds earning $30,000 or less are now eligible to receive up to $3,027 from the CalEITC.

The federal government has also made important changes: In 2021, Congress modified the federal Earned Income Tax Credit program, expanding eligibility for current and former foster youth and homeless youth ages 18 to 24 in addition to full-time students ages 19 to 24 who were not previously eligible. By filing taxes and accessing both state and federal tax credits, transition-age youth are eligible for up to $8,000, nearly doubling their annual income.

In additional to these recent changes to the state and federal earned income tax credit programs, both the state and federal governments established child tax credits. With these changes, parenting youth can now receive California's Young Child Tax Credit and federal Child Tax Credit, together totaling up to $4,600 (Appendix Table 2).

WHAT WAS ACCOMPLISHED

WHAT WERE THE GOALS OF THIS PILOT?

Santa Clara County and JBAY launched the pilot in November 2020 with the following goals:

1. Increase the total annual income of transition-age current and former foster youth in Santa Clara County by ensuring they file and receive their cash back refund, with a special emphasis on reaching youth who are custodial parents.

2. Develop community capacity to assist transition-age current and former foster youth with completing their taxes annually.

3. Increase the knowledge and expertise of county caseworkers and community-based providers to be able to inform youth about taxes and assist them in accessing tax services.

4. Institutionalize policy and practice in the county agency that will promote tax completion among current and former foster youth.

5. Gain knowledge from the pilot to inform county, state, and federal policy recommendations that will support transition-age current and former foster youth statewide in receiving their cash back refunds.

PILOT ACTIVITIES

To achieve the goals of the pilot, partners conducted four main activities:

1

Established a Volunteer Income Tax Assistance (VITA) site at Santa Clara County's youth center, "the Hub," equipped to provide specialized tax filing assistance to current and former foster youth.

The IRS, United Way Bay Area, and JBAY assisted with establishing a VITA site at the Hub, run by Bill Wilson Center. A VITA site provides free income tax return preparation to individuals and families who qualify based on their income, which for 2020 was any taxpayer earning less than $57,000. Equipped to provide specialized tax filing assistance to current and former foster youth ages 16 to 24, the site operated from March through May 2021. Youth were supported with scheduling a virtual or drop-off appointment or one of five in-person tax filing events. The IRS and UWBA staff were available by phone and email to support site operations.

2

Developed policies and protocols for county case managers and community-based providers serving current and former foster youth to inform them about tax filing and direct them to receive free tax preparation assistance.

Santa Clara County Social Services Agency developed a policy to refer all current and former foster youth ages 16 to 24 to the VITA site and trained their staff on how to help youth prepare for their tax appointment by gathering the necessary documents. Bill Wilson Center and Santa Clara County staff assisted youth with scheduling appointments and completing intake forms.

3

Recruited and trained volunteer tax preparers and county staff and providers on the necessary information to assist current and former foster youth with preparing for their tax appointments and filing.

Partners developed and disseminated a volunteer recruitment flyer and initially recruited over 20 individuals. Volunteers then received support from JBAY and United Way Bay Area to attend and complete three online trainings through Earn It, Keep It, Save It; complete sample tax returns for practice; and complete the IRS certification tests to qualify as volunteers. Twelve volunteers completed and passed IRS certification and selected a 2–3-hour weekly volunteer appointment time or in-person Saturday events. Staff from Santa Clara County, Bill Wilson Center, and JBAY completed site coordinator training to assist with the operation, meet the requirements of the IRS, and ensure quality tax returns.

4

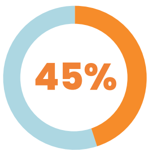
Disseminated youth-friendly tax preparation materials to current and former foster youth in Santa Clara County.

JBAY developed a number of outreach materials with the support of the California Franchise Tax Board and Santa Clara, including the Tax Prep Checklist for TAY, the CalEITC Guide, and a social media toolkit for the 2020 tax season. JBAY disseminated the materials through a statewide webinar, a local Santa Clara County training, and a virtual Independent Living Program class for current and former foster youth at the Hub, provided by Law Foundation of Silicon Valley and JBAY.

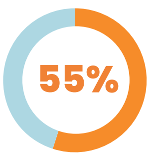
PILOT RESULTS

The 45 youth who filed through the Hub collectively received over $135,000 in state and federal tax refunds, and 100% had a positive increase in their income because they filed at the Hub.

How did results differ between current foster youth and former foster youth?

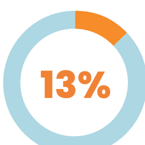


Nearly half (45%) of the pilot participants were current foster youth ages 16 to 20 with an average Adjusted Gross Income (AGI) of $8,362, which is below the 2020 tax filing threshold. This means most current foster youth filing at the Hub were not required by law to file their taxes. Their tax refunds and stimulus payments averaged **$2,474.**

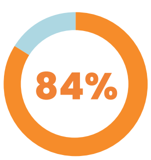


Over half (55%) of the pilot participants were former foster youth ages 21 to 24 with an average AGI of $23,980 which is above the 2020 tax filing threshold for single filers but below the threshold for parents. This means most former foster youth filing at the Hub were required by law to file their taxes and because they did, their tax refunds and stimulus payments averaged **$3,112.**

How did results differ between youth who were custodial parents and those who were not?

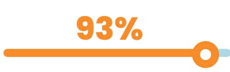


More than one in ten (13%) pilot participants were parents filing as head of household with an average AGI of $15,719. Their tax refunds and stimulus payments averaged **$6,605, a 42% increase in their annual earnings.**



The majority (84%) of the pilot participants filed as single with an average AGI of $15,811. They averaged $2,278 in tax refunds and stimulus payments, **a 14% increase in their annual earnings.***

What were the results when pilot participants owed federal or state taxes?



The vast majority (93%) of pilot participants received a federal tax refund compared to just 7% who owed federal taxes, **averaging $288.**

The vast majority (95%) of pilot participants also received a state tax refund compared to just 4% who owed or received no refund, **averaging $315.**

Just 5% of pilot participants owed taxes with an average tax payment of $213, but the same youth experienced a **total net benefit from filing of nearly $400** because of their eligibility for the Golden State Stimulus.

No youth owed both state and federal taxes, meaning a few who owed taxes to either the state or federal government and received a refund from the other.

*One participant (3%) filed as married filing jointly. Information about their return amount is not shared to ensure confidentiality.

PILOT RESULTS (CONTINUED)

Table 1 provides a complete picture of the tax refunds youth received who filed at the Hub.

TAX CREDIT OR REBATE	% OF YOUTH WHO RECEIVED IT	TOTAL AMOUNT REFUNDED	AVERAGE TAX CREDIT OR REBATE
Federal Child Care Credit	4%	$493	$247
Federal Child Tax Credit	13%	$3,978	$663
California Young Child Tax Credit	13%	$6,000	$1,000
Federal EITC	13%	$10,749	$1,792
Previous Year Tax Returns Filed (2018 & 2019)	18%	$8,349	$1,044
Education Credits	27%	$8,071	$673
Recovery Rebate Credits	60%	$38,700	$1,433
CalEITC	71%	$6,541	$204
State Withholdings Returned	96%	$18,051	$420
Golden State Stimulus*	100%	$30,000	$667
Paper-File Returns **	7%	$6,184	$2,061
TOTAL 2020	**45 Youth Filed at the Hub**	**$135,532**	**$2,822**

*The 2021-22 California State Budget includes the state stimulus eligibility rules which include those Californians who file a tax return and earned less than $75,000. Based on Adjusted Gross Income, all Hub filers are eligible and will receive the payment when they are processed by the Franchise Tax Board.

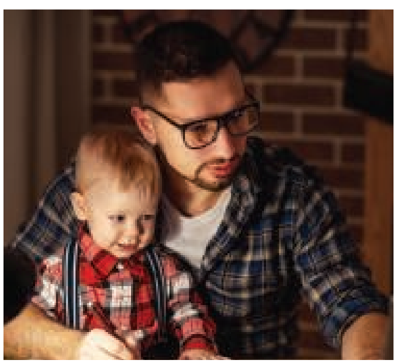
**The IRS data does not break out the amount of each credit or rebate for the youth who filed a paper return due to tax fraud. Their returns are reported in aggregate in the chart displaying the average return.

PILOT FINDINGS

The 2020 tax filing season pilot with Santa Clara County was the first of its type to support youth in foster care with filing taxes and claiming the expanded CalEITC. During the pilot, project partners made several observations to inform future policy and practice. After the pilot concluded, feedback was generated from county staff, partners, volunteers, and youth. The findings of the pilot are as follows:

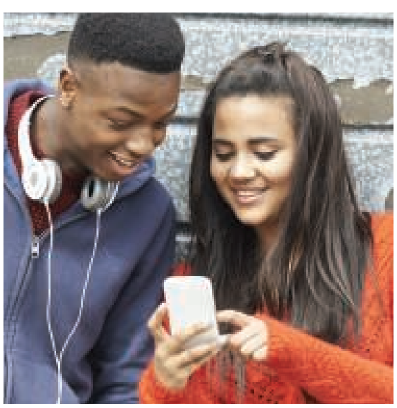
1 Tax filing was an effective strategy to direct much-needed income to current and former foster youth.

As noted in the results, youth who filed at the Hub received an average tax refund and stimulus payment of $2,822. This increased youths' annual income by 17% on average, based on their AGI. Every youth who filed at the Hub received either a state or federal refund, or both. Youth filing at the Hub expressed relief when their taxes were completed, sharing that they would use the funds to secure safe housing, repair their vehicle to continue working, pay for food, and pay off debts incurred during the pandemic.



2 Youth who were custodial parents qualified for several tax credits and yielded the highest benefit from filing.

The CalYOUTH Study found that nearly one-third (32%) of foster youth had a living child at age 21.[iv] The average return for parent filers was $6,605, nearly triple the average return of single filers, and increased their average income by 42%. The six pilot participants who were parents received the federal Child Tax Credit and California Young Child Tax Credit, which together total up to $4,600.



3 Tax filing increased access to federal stimulus payments.

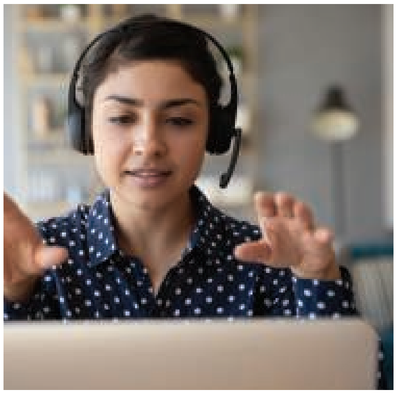
Many transition-age youth are not legally required to file taxes because their earnings are below the tax filing threshold, which ranged from $12,200 to $24,400 for the 2020 tax year. Six in ten (60%) youth who filed at the Hub missed one or both stimulus payments from 2020 due to tax identity theft or because they had never filed taxes and the IRS did not have their information.

4 Identity theft and tax fraud impacted some pilot participants' ability to file their taxes.

Of the youth who filed at the Hub, 15% required the use of an identity theft pin or paper filing process due to someone fraudulently claiming their tax refund. When more than one person uses a Social Security Number or Individual Taxpayer Identification Number to file taxes, the IRS or FTB rejects the return and requires a paper copy to be sent along with a form. The IRS then works with the filer to confirm their identity and issue the return appropriately. Youth who discovered that someone had stolen their identity expressed feelings of confusion, frustration, violation, and sadness—and had to complete an onerous process of back-and-forth correspondence with the IRS. Santa Clara County referred youth at the Hub who had a rejected return to Law Foundation of Silicon Valley for support in completing the process with the IRS and ensuring a proper refund. Attorneys helped submit the paper tax return, identity theft form, provide proof of identity, and communicate with the IRS and the youth to ensure all necessary steps were taken to secure the youth's identity from future fraud.

5 Youth needed formal support to file taxes correctly and maximize their refund.

Prior to and during tax appointments pilot participants asked many questions and expressed fear, confusion, and anxiety about filing to their case managers. Case managers did not provide tax advice, instead they assisted youth with accurate materials and appointments. Pilot participants were often missing necessary tax documents and lacked receipts required to claim certain tax deductions and credits. Current and former foster youth often lack the formal support of parents or other trusted adults to help them file and to answer basic questions about taxes. Young adults generally use their family's address as a permanent address where tax documents are mailed, which is not an option for most of the youth in extended foster care. Because foster youth move frequently, documents may be mailed to old addresses or lost in an abrupt move. Lack of awareness of education, business, and childcare deductions and credits which require saved receipts, mileage tracking, and forms from the college or childcare provider meant youth were unable to provide the necessary information for the return during their appointment. To remedy this, Hub volunteers held returns while youth gathered the necessary information and returned for a subsequent appointment. After receiving specialized assistance at the Hub, youth expressed surprise at the amount of their returns, stating they would save receipts and be better prepared for the next tax year.



6 Existing federal and state law includes the provision of financial literacy skills for foster youth but does not specify tax services and support.

California law states that foster youth can have a job beginning at age 14, have the right to have a bank account and budget, save and spend their money, receive a copy of their credit score and report, and participate in an Independent Living Program (ILP) to learn about money management. The law and rights are silent on tax filing and assistance for foster youth despite foster youth being held to the same standard as every other taxpayer, liable for fines and fees if they file incorrectly. Given this, Santa Clara County established their own local policy and procedure to inform youth about tax filing and to direct them to the Hub and available community resources to file taxes. A staff memo was circulated, and all staff and contracted providers were invited to a specialized training. Staff received emails throughout the tax season to assist with outreach to youth. There was receptivity among case managers and appreciation for the pilot project materials that informed outreach efforts. Santa Clara County newly offered ILP classes focused on taxes, which were provided by Law Foundation of Silicon Valley and JBAY.

7 Social workers and community-based providers were typically unaware of tax deadlines, services, deductions, and credits available to transition-age current and former foster youth.

Tax law in the United States is complex, and for many reasons adult supporters of foster youth do not have accurate information on hand to help answer questions and direct youth to free tax support. Tax deadlines, filing thresholds, and eligibility rules for credits are adjusted annually. Free tax service availability and hours of operation differ year to year. While child welfare law does require financial literacy be provided to foster youth as part of their transition to adulthood, pilot partners could not identify any existing training, curriculum, or information that was designed for first-time filers, young adults, students, or foster youth. Most tax preparation checklists contained tax jargon that is inaccessible to first-time filers, people for whom English is a second or third language, and youth with learning disabilities. Santa Clara County and pilot partners provided specialized training to staff and providers and sent reminder emails throughout the tax season to help raise awareness among adult supporters of youth in care. Training advised case managers and community providers to provide support with appointments, use vetted outreach materials, and refrain from providing tax advice.

8 Considerable time was required to get youth to file their taxes.

Outreach efforts included direct phone and text conversations, flyers, emails, social media, and ILP classes. Several community-based partners outreached to youth in their programs. While hundreds of youth were contacted, just 45 scheduled appointments and filed at the Hub. Many youth expressed fears, concerns, disinterest, or significant barriers to filing taxes—requiring conversations to explain the availability of tax credits and the benefits of filing. Adult supporters helped to alleviate their concerns, which often required longer conversations. Each case manager offered the service to youth ages 18 to 21 on their caseload. Once a youth filled out the form requesting an appointment, Santa Clara County and Bill Wilson Center staff worked to secure a time, review the necessary tax documents and personal identification needed, ensure youth had transportation for in-person or Zoom for virtual appointments, ensure youth who needed translation services had access, and finalize returns by getting the youth's signature and providing a copy for their file. For each first-time filer, three to four hours of support was provided to assist with navigating the process from outreach to submitting the final return. For filers who had some experience with filing, one and a half to three hours of support was provided.

9 The availability of VITA sites is inconsistent across the state.

General tax outreach materials encourage tax filers to find an appointment at a local VITA site. VITA tax sites are run by volunteers with assistance from the IRS and organizations granted contracts to train and support VITA volunteers. VITA sites have the option to be open to the public or to be closed sites exclusively serving their network. The volunteer nature of the program means that many areas of the country do not have a VITA site, essentially creating "VITA deserts." Many VITA sites were not operational during 2020 due to shelter-in-place orders, wildfires, or other public emergencies in the volunteer area. This meant when case managers or youth using the IRS VITA locator tool tried to find a service, it was not a guarantee. In addition to the Santa Clara County technical assistance, JBAY also provided information and assistance to youth and adult supporters statewide on filing taxes, receiving tax credits and accessing free tax preparation support through VITA sites. Many youth and adult supporters across the state reported having no site within a 50-mile radius. Others had a site but the appointments were already booked for the season. Some areas had sites open but they were not listed on the IRS public tool, so they were difficult to find. These factors led project partners to incorporate the establishment of a VITA site into the project activities, and to Santa Clara County establishing its own site at the Hub and using virtual appointments for youth placed out of county and in areas without accessible sites.

10 VITA volunteer volunteers required additional training on how to handle foster youth-specific tax information.

It was important to Santa Clara County staff to offer trauma-informed tax services. Common questions a VITA tax preparer asks can be difficult for the youth to answer, particularly related to a parent's income or the youth's dependency status. Further, a number of factors specific to foster youth may present obstacles to successful filing, even with the average qualified VITA volunteer, such as the possibility of income from foster care payments being confused as earned income. Additionally, foster youth who are undocumented may be afraid to share information with the volunteers. JBAY created a special population training for volunteers at the Hub so they would be better prepared for serving foster youth.

11 There are no federal or state outreach materials designed for transition-age youth or current and former foster youth.

ILPs currently offer classes and support with financial services and credit checks starting at age 16 but do not have an IRS-approved curriculum on tax filing and available financial services for youth. Early in planning, pilot partners were asked what curriculum or materials they used to teach taxes and financial literacy and no resources were identified. The federal and local financial resources focus on banking, budgeting, credit and credit reports, earnings and savings, and general money management. Through conversations with CalEITC outreach partners, Golden State Opportunity created the young workers' social media toolkit for CalEITC outreach in 2020. JBAY created materials with the support of partners in response to the dearth of publicly available tax preparation materials for foster youth, first-time, and young adult filers. The flyer, scheduling link, tax prep checklist for TAY, and the social media toolkit were well received by case managers, community-based providers, and current and former foster youth and will be updated for use again in the 2022 tax season.

RECOMMENDATIONS

LOCAL RECOMMENDATIONS

Establish a county policy and protocol requiring case managers to support current and former foster youth during tax season.

As demonstrated by the pilot, case managers, ILP coordinators, and contracted providers can offer a wide range of support to current and former foster youth to increase rates of tax filing. This may include partnering to disseminate tax outreach, directing youth to local tax events or hosting a VITA site event to serve youth on location, assisting youth with finding a free VITA appointment, recruiting and training volunteers on the needs of current and former foster youth, providing financial literacy courses, and helping access personal and employment documents required for tax filing. Coordinated efforts such as these are much less likely to occur annually without policies in place requiring them. At a minimum, counties should establish protocols for county case managers to provide information to youth on their caseloads about filing taxes and assist them in setting up a free VITA appointment with a nearby site. Policies should reflect the tax season timelines and reference accurate, youth-friendly tax materials and the local in-person and virtual free filing locations.

Partner with legal aid to provide support to current and former foster youth who have experienced identity theft and tax fraud.

Local legal aid partners can assist with the IRS process and ensure youth receive their money and are provided sufficient protection, including an identity theft pin and credit check. Santa Clara County worked with their local legal services organization Law Foundation of Silicon Valley to resolve cases of identity theft and tax fraud, complete the tax filing process, and ensure the necessary steps were taken to secure the youth's identity from future fraud.

Establish a designated VITA site for current and former foster youth. California is a large and diverse state with too few VITA sites to serve the existing need. While some communities have sites, they may have too few volunteers, be located outside known service areas of young adults, be closed to the public, or simply not operating due to COVID-19 pandemic restrictions. Beyond the availability of free tax preparation services, VITA volunteer training does not cover all of the considerations for first-time filers, youth in foster care and how foster care payments are treated, and handling financial questions in a trauma-informed manner. The pilot demonstrated that becoming a VITA site is the most direct way for agencies serving youth to ensure current and former foster youth have access to free tax preparation services. Most already have the necessary space, equipment, and security protocols that the IRS requires of VITA sites. There are state funding opportunities to launch and operate a site with flexibility about the days, hours, and length of operation of the VITA tax site. These grants provide opportunities to help recruit and train volunteers, contract staff to assist with scheduling and volunteer management, and offer incentives to staff, volunteers, and young adults.

STATE RECOMMENDATIONS

Make the CalEITC an entitlement, fashioned as guaranteed income, for current and former foster and homeless youth under California's Economic Mobility efforts.

In 2019, more than 2 million people claimed the CalEITC, totaling close to $395 million. Existing systemic barriers described in this report have demonstrated that current and former foster youth miss out on the CalEITC despite being eligible because many do not file their taxes. To guarantee that current and former foster youth are receiving this tax credit, the state should take an approach fashioned after their process for issuing the Golden State Stimulus to SSI recipients through their monthly payment system or follow the IRS approach of using a non-filer tool to access the CalEITC for those not required to file taxes. Michael Tubbs, as the newly appointed Special Adviser on Economic Mobility to Governor Gavin Newsom, can continue to make the economic mobility needs of current and former foster youth an innovative state and local focus by adopting one of these two strategies to make the CalEITC an entitlement for current and former foster youth and youth who have experienced homelessness.

Double the award amount of the CalEITC and Young Child Tax Credit for current and former foster youth.

Unlike their peers, current and former foster youth are transitioning to adulthood without financial support or stable housing from their parents, making both education and employment goals much harder to attain. California should modify the eligibility and threshold amount for the CalEITC and Young Child Tax Credit for this population, similar to the approach approved in the 2021-22 state budget to provide a larger Golden State Stimulus payment to Californians who are undocumented because their immigration status made them ineligible for federal tax credits and stimulus relief. This strategic approach addresses known economic inequities and should be considered for current and former foster youth in future years.

Dedicate state funds to raise awareness and maximize participation in tax credits and programs for current and former foster youth and youth experiencing homelessness.

The 2021-22 state budget provides an ongoing $15 million to administer outreach and grant programs to nonprofit and community-based organizations for the purposes of raising awareness and maximizing participation in tax credits and programs, particularly for noncitizen Californians. Based on the success of the pilot, a similar strategy should be used to offer local incentives to establish tax hubs within social services agencies, ILPs, community colleges, local youth centers, and sites serving homeless youth.

Require collaboration between the California Franchise Tax Board (FTB) and California Department of Social Services to create and disseminate outreach materials for current and former foster youth and young parents.

The FTB updates state tax materials annually and CDSS sends out annual All County Information Notices about the EITC and CalEITC thresholds, eligibility, deadlines, and outreach materials. CDSS and local counties sometimes issue manual payments to caregivers, youth in extended foster care, and to young parents— specialized printed outreach materials could be inserted in these mailings during the months right at the start of tax season, and again as a reminder in advance of the filing deadline. CDSS manages workgroups and listservs that can provide electronic materials and information as a way to offer direct messaging throughout the tax season, encouraging people to file taxes and directing them on how to access assistance.

FEDERAL RECOMMENDATIONS

Permanently expand the Earned Income Tax Credit (EITC) for young adults ages 18 to 24 and the Child Tax Credit (CTC) changes from The American Rescue Plan Act (ARPA).

ARPA expanded the EITC to transition-age youth ages 18 to 24 for current and former foster youth and ages 19 to 24 for all other young adults for the 2021 tax year. Pandemic unemployment hit 18- to 24-year-olds the hardest, at a rate of 24 percent. The average income of pilot participants was just $16,880. This loss of income will continue to impact young adults for years to come. Permanently expanding the EITC eligibility for transition-age youth can help them recover sooner.

The CTC provides relief to families raising children which is critical for current and former foster youth who are custodial parents. Parenting youth filing taxes with the Hub found the refunds very helpful and some came back for a second appointment to file previous year returns. ARPA increased the CTC and made it fully refundable for the 2021 tax season. Permanently expanding these changes and modifying the age limit from 17 to 21 will promote child and family well-being and boost family economic security.

Provide additional funding through the John H. Chafee Foster Care Program for Successful Transition to Adulthood designated for tax outreach, preparation, technical assistance, and tax fraud support services.

With additional federal funds, ILPs could set up tax sites like the Hub in Santa Clara County, conduct outreach activities on financial services that remove barriers to tax filing, connect with legal partners to address identity theft, and significantly boost young adults' income who are currently in foster care or have transitioned out. States should designate at least one VITA site with expertise on transition-age foster youth. As part of transition planning, case managers should designate an individual or entity responsible for providing tax filing assistance in the youth's case plan and be required to confirm that taxes have been filed.

Create the Tax Counseling for Transition-Age Youth program within the IRS VITA program.

The IRS has the Tax Counseling for the Elderly program which offers free tax assistance, particularly for those who are 60 years of age and older, specializing in questions about pensions and retirement-related issues unique to seniors. The IRS developed guides for seniors and low-income taxpayers to assist these populations with correctly filing taxes. Tax language and laws can be confusing for first-time filers, particularly given the tax-specific vocabulary that is needed to properly file. The IRS should create a program and materials for young adults who are under-utilizing several tax credits intended to benefit them—specifically credits and deductions related to low-income, education, or profession-specific credits, and those for parents. Local VITA sites and partners will then be able to disseminate youth-friendly tax outreach and lessons for young workers and transition-age youth in foster care. Grant funding should be provided to each state to establish at least one VITA site with expertise on transition-age foster youth that can serve as a technical assistance and outreach center.

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Finally, JBAY would like to thank Governor Gavin Newsom, President Joe Biden, and the many legislative champions in California who have included transition-age youth and foster youth needs in critical poverty reduction efforts such as the CalEITC, YCTC, EITC, CTC, and stimulus payments.

Contact

This report was authored by Anna Johnson of John Burton Advocates for Youth and designed by Alyssa Prettyman. If you have questions about the report, please contact Anna Johnson at anna@jbay.org.

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APPENDIX

TABLE 1. STATE AND FEDERAL STIMULUS AMOUNTS IN 2020 AND 2021

	STATE STIMULUS				FEDERAL STIMULUS			
NUMBER OF CHILDREN	MAX INCOME	GOLDEN STATE STIMULUS 1	MAX INCOME	GOLDEN STATE STIMULUS 2	MAX INCOME	1ST ROUND	2ND ROUND	3RD ROUND
None	$30,000	$600	$75,000	$600 or $1,200	$75,000	$1,200	$600	$1,400
1	$30,000	$1,100	$75,000	$1,100 or $1,700	$75,000	$1,700	$1,100	$2,800
2	$30,000	$1,100	$75,000	$1,100 or $1,700	$75,000	$2,200	$1,700	$4,200
3	$30,000	$1,100	$75,000	$1,100 or $1,700	$75,000	$2,700	$2,300	$5,600

TABLE 2. STATE AND FEDERAL EARNED INCOME TAX CREDIT AMOUNTS FOR 2020 TAX SEASON

	STATE			FEDERAL	
NUMBER OF CHILDREN	MAX INCOME	CALEITC (UP TO)	YOUNG CHILD TAX CREDIT (for parents with children younger than six in 2020)	MAX INCOME	FEDERAL EITC (UP TO)
None	$30,000	$243	$0	$15,820	$538
1	$30,000	$1,626	$1,000	$41,756	$3,584
2	$30,000	$2,619	$1,000	$47,440	$5,920
3 or more	$30,000	$3,027	$1,000	$50,954	$6,660

[i] California Child Welfare Indicators Project.

[ii] Courtney, M. E., Okpych, N. J., Park, K., Harty, J., Feng, H., Torres-Garcia, A., & Sayed, S. (2018). Findings from the California Youth Transitions to Adulthood Study (CalYOUTH): Conditions of Youth at Age 21. Chicago: Chapin Hall at the University of Chicago.

[iii] JBAY (2021). Hanging on by a Thread: The Cumulative Impact of the Pandemic on Youth Who Have Been in Foster Care or Homeless. San Francisco: John Burton Advocates for Youth.

[iv] Courtney, M. E., Okpych, N. J., Park, K., Harty, J., Feng, H., Torres-Garcia, A., & Sayed, S. (2018). Findings from the California Youth Transitions to Adulthood Study (CalYOUTH): Conditions of Youth at Age 21. Chicago: Chapin Hall at the University of Chicago.

FEEDBACK FROM YOUTH WHO FILED WITH OUT PILOT TAX ASSISTANCE PROGRAM

"Many thanks to the Hub tax volunteers! Your time and devotion to helping me is really appreciated, and I am truly grateful. I have been having car troubles and my tax refunds have helped extensively to address these issues."

"(The Hub volunteer) was so incredibly patient and kind. She walked me through every step and accommodated to anything I needed – in my case I had to do not only this years tax return but also the year previous to this, even though I didn't have all my documents together at once she continued to make the time with me and again, was super patient. I'm so thankful for all of the help! If given the opportunity to go through all of this over again next year, I'd definitely want to go through this process with her!"

"As an adult now, having to pay so much money to get my taxes done was challenging and doing it on my own caused so much stress and anxiety because it is something super important. I'm very thankful for all of your help and your team! I would highly recommend this program for future foster youth to come! This isn't something that we're taught, so the fact that you guys are doing it is so great!"

John Burton Advocates for Youth improves the quality of life for youth in California who have been in foster care or homeless by advocating for better laws, training communities to strengthen local practices and conducting research to inform policy solutions.

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WWW.JBAY.ORG

235 Montgomery Street, Suite 1142, San Francisco, CA 94104