

2022-23 State Budget: California Foster Youth Tax Credit

The 2022-23 California state budget includes ongoing funding, championed by Governor Gavin Newsom, State Controller Betty T. Yee, and Senator Anna Caballero to establish a refundable tax credit of up to \$1,000 for current and former foster youth. Information about this investment is included in budget trailer bill, [SB 201](#), and budget bill, [SB 154](#) summarized below.

What is the California Foster Youth Tax Credit?

The 2022-23 state budget includes \$21 million in ongoing funding to establish the California Foster Youth Tax Credit (FYTC), a refundable tax credit that aims to boost the income of and reduce poverty among current and former foster youth. Effective January 1, 2023, eligible youth who file their California state tax return and claim the FYTC will receive the credit. The FYTC is a program of the California Earned Income Tax Credit (CalEITC), a refundable tax credit funded with \$1.1 billion that helps low-income workers and families.

Who is eligible for Foster Youth Tax Credit?

Current and former foster youth who file their state tax return and meet the following criteria are eligible for the FYTC:

- Are age 18 through 25 at the end of the tax year;
- Were in care on or after their 13th birthday; and
- Are eligible for the CalEITC:
 - > Have an income of at least \$1 and less than \$30,000);
 - > Have a Social Security Number or Individual Tax Identification Number (ITIN); and
 - > Live in California for more than half of the tax year.

How much money does the FYTC provide youth who file their taxes and claim the credit?

Youth eligible for the FYTC will qualify for up to \$1,000 in a cash back tax refund. The value of the credit is reduced by \$20 for each \$100 earned above \$25,000. The credit phases out when a person earns \$30,000.

How will eligibility for the FYTC be verified?

When a filer answers the question on their state tax return indicating they are a current or former foster youth, the Franchise Tax Board (FTB) will verify their eligibility with the California Department of Social Services (CDSS). Filers will also be provided an option to upload their ward of the court letter and a state driver's license or identification card to assist with verification. If the agencies are unable to verify eligibility a letter will be mailed to the tax filer requesting additional documentation. Once verified, tax filers will not need to be verified for future tax years unless they change their name. A total of \$627,000 in one-time funding was included for 2022-23 for administration of the FYTC.

How many youth will qualify for the FYTC?

CDSS estimates there are 80,000 current and former foster youth ages 18 through 25 in California. Based on income, youth being claimed on someone else's tax return, and tax filing rates, an estimated 32,000 youth will claim and receive the credit. FTB will provide an annual report of the number of tax returns claiming FYTC and the average amount received.

How will youth receive the funds, and will they impact other benefits?

The FTB reviews and approves tax returns and issues payment to the tax filer by direct deposit or paper check. The funds may be used for any purpose, do not have to be paid back, and do not count towards a person's income for consideration of other public benefits.

How can youth file their taxes for free and receive tax credits they are eligible for?

Free filing is available at a local Volunteer Income Tax Assistance site or by self-filing. Learn more about tax filing and credits from JBAY's guide, checklist, and fact sheet on the benefits of tax filing [here](#).