PILOT TO PRACTICE:

CALIFORNIA'S NEW **FOSTER YOUTH TAX CREDIT**

LESSONS FROM SIX COUNTIES TO ACHIEVE FULL IMPLEMENTATION OF CALIFORNIA'S NEW FOSTER YOUTH TAX CREDIT

AUGUST 2022

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JBAY

EXECUTIVE SUMMARY

OVERVIEW: In recent years, tax filing has received increased attention as a strategy to reduce poverty by directing financial resources to low-income Californians, including foster youth. California expanded its earned income tax credit in 2017 to include youth ages 18 through 24 (transition-age youth) without custodial children, and in 2020 to include undocumented tax filers.

During the pandemic, tax filing has proven to be critical as it was the means to distribute over $12 billion in emergency relief. In its recently adopted state budget, California established the Foster Youth Tax Credit, a $1,000 refundable tax credit for current and former foster youth ages 18 through 25. When fully implemented, the program has the potential to provide direct financial assistance to an estimated 20,000 current and former foster youth annually.

While this new program is promising, there are numerous barriers that prevent tax credits from achieving their full potential to reduce poverty, particularly for foster youth. Neither state nor federal law requires they receive help, and the income of foster youth commonly falls below the filing threshold of the Internal Revenue Service (IRS). Often without a parent or extended family member to help them file their taxes, many current and former foster youth lack the support and guidance needed to file with confidence. Together, these factors have led many foster youth to lose out on money they are owed.

This publication includes the findings of a six-county pilot project led by John Burton Advocates for Youth (JBAY) to ensure current and former foster youth receive state and federal tax credits and stimulus payments accessible by filing taxes. The purpose of the publication is to document the impact of tax filing on foster youth and to offer guidance to inform the implementation of the newly established state Foster Youth Tax Credit.

The project consisted of five main activities:

1. Established Volunteer Income Tax Assistance (VITA) sites dedicated to transition-age current and former foster youth;
2. Recruited and trained volunteer tax preparers, county staff, and community-based providers to assist youth;
3. Held virtual and in-person appointments and tax filing events;
4. Developed and promoted youth-friendly outreach materials; and
5. Documented findings and developed recommendations to expand tax filing for foster youth.

PROJECT PARTNERS

County partners included Alameda County Social Services Agency, Contra Costa County Employment and Human Services Department, Fresno County Department of Social Services, Los Angeles County Department of Children and Family Services, San Francisco Human Services Agency, and Santa Clara County Social Services Agency. The non-profit organizations operating VITA sites included Bill Wilson Center, Coalition for Responsible Community Development, Court Appointed Special Advocates San Francisco, First Place for Youth, Focus Forward, Fresno Barrios Unidos, and The Community College Foundation. Technical support was provided by Golden State Opportunity, the Internal Revenue Service, United Way Bay Area, United Way of Fresno and Madera, and United Ways of California. Sites were supported by more than 50 dedicated VITA volunteers.

FINDINGS: Specialized VITA sites in six counties filed current and previous year taxes for 250 current and former foster youth who collectively received $638,538 in tax refunds by June 30, 2022. The report includes 27 youth- and system-level findings analyzing the 2021 tax returns filed on behalf of current and former foster youth between February and June 2022.

Youth-level findings, detailed on page nine, cover income, parenting status, stimulus payments, poverty, amount owed, tax fraud, bank account access, and the type of tax credits claimed. Overall, tax filing increased the average adjusted gross income for youth who participated in the project by 15%. Parenting youth yielded the greatest benefit from filing, increasing their adjusted gross income by an average of 31%. Half of the youth who filed recovered their missing 2021 stimulus payment and 63% qualified for the federal Earned Income Tax Credit.

System-level findings, detailed on page 13, cover VITA site capacity, operations, volunteer recruitment and training, outreach, incentives, and appointment scheduling. Establishing and operating a VITA site dedicated to this population requires skillful planning, partnership, specialized training, and management to support first-time filers. For each first-time filer, a minimum of 4.5 hours of support was provided. Offering additional time, education, and incentives led to positive results for youth filers. The surge in Covid-19 cases at the beginning of tax season made virtual appointments the main service, however, some youth lacked phone, computer, or internet access and required in-person appointments.

RECOMMENDATIONS: The report includes 20 recommendations about how to achieve full implementation of California's new Foster Youth Tax Credit. These recommendations, found on page 19, are organized for community-based organizations, child welfare agencies, and state and federal policymakers.

The recommendations provided below are highlights from each category.

- Apply for state, federal, and local funding to become a specialized VITA site for foster youth.
- Recruit and train VITA volunteers on the state return process to claim the Foster Youth Tax Credit.
- Establish county policy and protocol requiring case managers to refer current and former foster youth to a free tax filing appointment.
- Issue state guidance directing county child welfare agencies to share information on the Foster Youth Tax Credit.
- Permanently expand the federal Earned Income Tax Credit for young adults ages 18 to 24.

INTRODUCTION

BACKGROUND & PROJECT ACTIVITIES

Connecting young adults who have experienced foster care to free tax preparation services can put hundreds or thousands of dollars in their pockets to cover basic necessities and more. The federal and state earned income tax credit programs are the largest income transfer programs in the U.S., lifting millions of people out of deep poverty. Unfortunately, tax filing information and appointments are often out of reach for transition-age foster youth due to a lack of awareness and hands-on assistance. JBAY has worked to change that by leading the California Foster Youth Tax Project and a public education campaign, establishing and publicizing specialized support for current and former foster youth filing their taxes.

For the 2022 tax season, JBAY partnered with six counties and their non-profit partners to establish Volunteer Income Tax Assistance (VITA) sites specially equipped to assist current and former foster youth between the ages of 16 and 26 with filing their taxes for free; conducted targeted outreach to direct youth to appointments; and helped them prepare for filing by removing barriers and providing educational materials. With technical assistance and grant funding from JBAY—made possible by Golden State Opportunity, Conrad N. Hilton Foundation, Pritzker Foster Care Initiative, Tipping Point Community, United Ways of California, United Way Bay Area, United Way of Fresno and Madera, and the Walter S. Johnson Foundation—project partners operated their VITA sites with appointments starting in February 2002, and will continue operations through October 17, 2022, the filing deadline for those who do not owe taxes.

PROJECT PARTNERS INCLUDED:

- Alameda County Social Services Agency
- Contra Costa County Employment and Human Services Department
- Fresno County Department of Social Services
- Los Angeles County Department of Children and Family Services
- San Francisco Human Services Agency
- Santa Clara County Social Services Agency
- Bill Wilson Center
- Coalition for Responsible Community Development
- Court Appointed Special Advocates San Francisco
- First Place for Youth
- Focus Forward
- Fresno Barrios Unidos
- The Community College Foundation

The California Foster Youth Tax Project is an expansion of a 2021 pilot JBAY conducted with Santa Clara County which assisted 45 youth who collectively received over $135,000 in tax refunds. The results of the 2021 pilot are captured in a previous publication, *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.*[i]

Since 2019, JBAY has led a statewide campaign to raise awareness about the California Earned Income Tax Credit (CalEITC) and its availability to transition-age youth. Annual activities have included the CalEITC Cash Back for TAY Challenge, which helped over 1,000 youth file their taxes and receive the CalEITC, and the development and dissemination of educational and promotional materials and web seminars to address the specialized needs of transition-age youth.

RECENT CHANGES TO STATE AND FEDERAL TAX CREDITS

Recent changes in state and federal law have provided an important opportunity for transition-age foster youth to increase their income. Historically, young adults ages 18 to 24 were not eligible for the federal or state earned income tax credits unless they were custodial parents. Starting in 2018, the state and federal governments made changes to the policies governing these tax credits:

- **Expansion of the California Earned Income Tax Credit:** Beginning with the 2018 tax year, the California State Legislature modified CalEITC eligibility, removing the requirement that 18- to 24-year-olds had to be custodial parents to receive the credit. Depending on their household size and the number of children, 18- to 24-year-olds earning $16,751 or less became eligible to receive up to $3,027 from the CalEITC. The maximum qualifying income was increased to $30,000 or less in 2019, ensuring more young adults would receive the credit.
- **Temporary Expansion of the Federal Earned Income Tax Credit:** For the 2021 tax year, Congress temporarily modified the federal Earned Income Tax Credit (EITC) 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. This made transition-age youth eligible for up to another $1,502 during the 2021 tax year.
- **Establishment of the Foster Youth Tax Credit (FYTC):** In 2022, California became the first state in the nation to establish a tax credit specifically for current and former foster youth. Effective January 1, 2022, and beginning during the 2023 tax season, eligible current and former foster youth who file their California state tax return and claim the FYTC will receive up to $1,000 from a refundable tax credit.
- **Removal of Income Requirements for State and Federal Child Tax Credits:** In 2023, neither the state nor federal government will require custodial parents to have earned income to qualify for the California Young Child Tax Credit or the federal Child Tax Credit, which together total up to $4,600.

CALIFORNIA IS THE FIRST STATE IN THE NATION TO ESTABLISH A FOSTER YOUTH TAX CREDIT

Building on previous efforts, the 2022-23 state budget includes ongoing funding, championed by Governor Gavin Newsom, State Controller Betty T. Yee, Senator Anna Caballero, JBAY, and the CalEITC coalition, to establish a refundable Foster Youth Tax Credit (FYTC) of up to $1,000 for current and former foster youth. Effective January 1, 2022, and beginning during the 2023 tax season, eligible youth who file their California state tax return and indicate their eligibility will claim the FYTC. Approximately 20,000 youth will benefit from the credit each year who are between the ages of 18 through 25, were in foster care on or after age 13, and qualify for the CalEITC.

FINDINGS

The findings in this report are derived from an analysis of the 2021 tax returns of youth who filed with one of the specialized VITA sites between February and June of 2022. To inform future policy and practice, over the course of the tax season JBAY gathered feedback from county staff, non-profit partners, VITA volunteers, and the youth who filed. A summary of these findings follows.

2021 Tax Return Demographics

A demographic summary of the 208 transition-age youth who filed a 2021 tax return with a California Foster Youth Tax Project VITA site is summarized below in Figure 1.*

FIGURE 1: DEMOGRAPHIC SUMMARY OF YOUTH WHO FILED WITH THE PROJECT

FOSTER CARE STATUS	%	AVERAGE ADJUSTED GROSS INCOME	AVERAGE TAX REFUND & REBATE
Current Foster Youth	55%	$11,718	$2,705
Former Foster Youth	45%	$21,077	$2,892

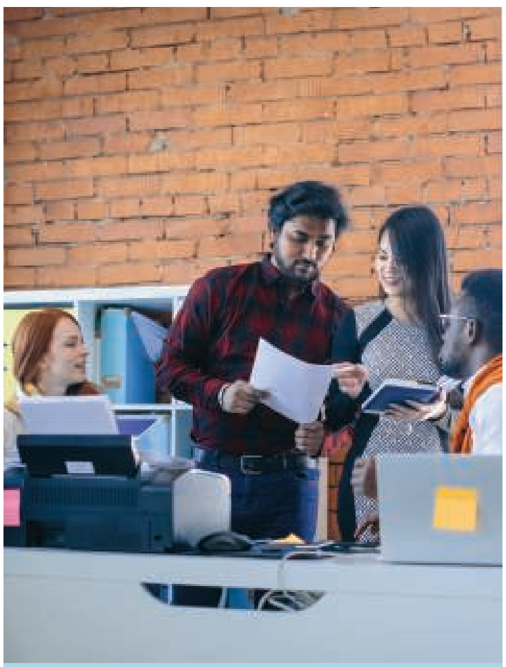
HOUSEHOLD STATUS	%	AVERAGE ADJUSTED GROSS INCOME	AVERAGE TAX REFUND & REBATE
Single	85%	$15,780	$1,919
Parents	15%	$16,905	$7,795

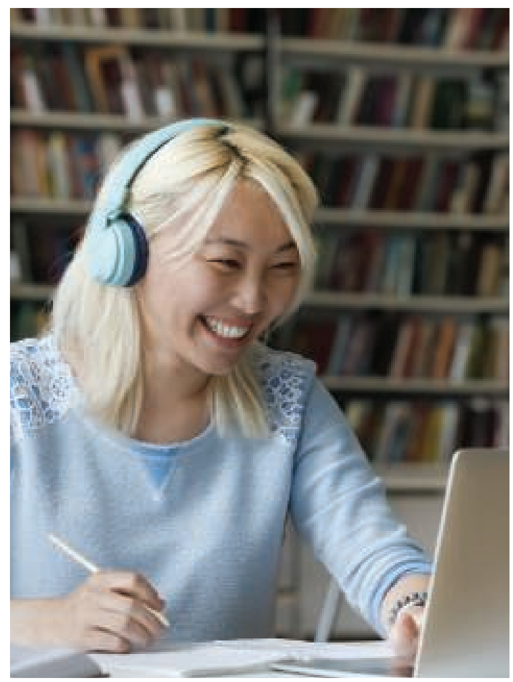
FILERS WHO OWED TAXES	%	AVERAGE ADJUSTED GROSS INCOME	AVERAGE AMOUNT OWED
Federal	10%	$28,670	$769
State	5%	$32,247	$242
Net Owed Federal & State**	11%	$29,111	$745

* Data from 42 youth who filed only previous year tax returns in 2022 was excluded from the analysis summarized in Figure 2 because tax credit and threshold information varies annually.

** This data reflects the net tax owed by individual filers for both federal and state returns. The net owed is what a filer owed after receiving any credits or rebates.



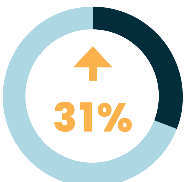





YOUTH LEVEL FINDINGS

YOUTH LEVEL FINDINGS

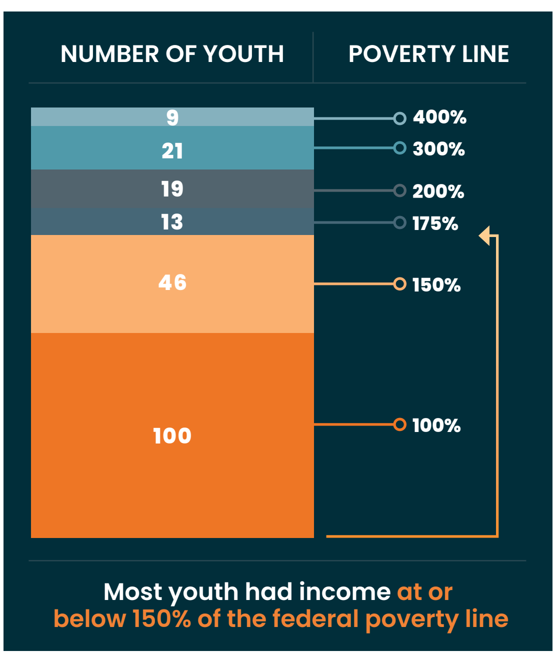
1. **Tax filing completed through the project increased the annual income of participants by an average of 15%, from $15,948 to $18,742, with an average tax refund and rebate of $2,795.** Federal credits account for 81% of the cash back benefits received, specifically from the Recovery Rebate Credit and the Earned Income Tax Credit which transition-age foster youth were newly eligible for in 2021.



2. **Youth who were custodial parents experienced a 31% increase in their income, from $16,905 to $24,700, with an average return and rebate of $7,795.** This is more than triple the average return of single filers, who experienced a 10% increase with an average return of $1,919.

3. **Half (50%) of filers recovered a missed 2021 federal stimulus payment.** In 2021, the federal government disbursed the third of three total stimulus payments provided during the Covid-19 pandemic, now accessible only by filing taxes. Those who recovered stimulus payments were first-time filers, previously unable to access stimulus payments. These 104 filers collectively recovered $162,200, an average rebate of $1,545.

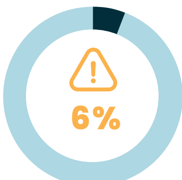
4. **Every filer is income eligible for a one-time California tax rebate called the Middle-Class Tax Refund.** In the 2022-23 state budget, $9.5 billion was included to provide tax rebates to 23 million Californians.[ii] The maximum rebate is $350 for single filers, $700 for head of household filers, and $1,050 for married filers with a dependent. All 208 youth who filed through the project will are income eligible for the maximum amount of the rebate, which could bring a collective $81,900 in added income.



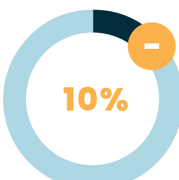
5. **Seventy percent of filers had annual income at or below 150% of the Federal Poverty Level, making them eligible for most income-based public benefits.** The average Adjusted Gross Income (AGI) of filers was $15,948 and ranged from $0 to $50,000. Five percent of participants had no earned income and for this reason were unable to claim the federal and state earned income tax credits which require at least $1 of earned income. These filers earn less than 30% of the area median income levels published by the California Department of Housing and Community Development, meaning they are Extremely Low-Income (ELI) renters at high risk for homelessness and housing insecurity.[iii]

6. **Just over half (52%) of filers had income above the legal filing threshold requiring them to file their taxes.** The 2021 filing threshold is $12,550 for single filers and $18,800 for head of household filers. Filers with the project benefited from free, IRS-certified preparers, saving the extra expense charged by a paid tax preparer.

7. **Four out of five (80%) filers had bank accounts.** Those with bank accounts chose to receive their refund using direct deposit. One in five filers (20%) did not have a bank account and received their refund via paper check or through an alternative method such as a prepaid debit card, CashApp, or PayPal.



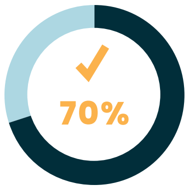
8. **Six percent of filers experienced identity theft and/or tax fraud.** These youth required the use of an identity protection pin or paper filing process due to someone fraudulently claiming their tax refund. Some filers discovered that their information was stolen during a data breach and was used to claim their stimulus payments. Fraud was resolved during the project by referring youth to legal services or Low Income Taxpayer Clinics.



9. **One in ten (10%) filers owed federal taxes, on average in the amount of $769.** A total of 5% of filers owed state taxes, on average in the amount of $242. Together, the amount these 22 filers owed was $18,824. The most common reasons filers owed money to the state or federal government was due to claiming too little withholding from paychecks, incorrectly completing a W-4 form, having self-employment income requiring a 1099 form, or receiving unemployment payments with no federal tax withheld. These filers received financial support from the project to help pay off their tax owed, avoiding penalties or interest that might have accumulated had they not filed or been able to pay.

10. **College student filers were largely unaware of education-related tax credits they were eligible to receive.** The federal government offers two tax credits for college students: the American Opportunity Tax Credit and Lifetime Learning Credit. Close to one in five (19%) filers claimed these credits, which averaged $623. As a result of the lack of awareness about these credits, youth required additional assistance to track down documents needed for filing and claiming the credit. VITA site coordinators and volunteers assisted youth with finding their 1098-T tax document and receipts accounting for out-of-pocket education expenses, such as books and required class supplies.

11. **Parenting filers who qualified for the Child and Dependent Care Credit were unaware of the credit and lacked necessary documentation to claim it.** The Child and Dependent Care Credit reduces any tax owed by up to $8,000, with $2,000 being fully refundable. Only one parent filer (3%) was able to claim the credit. VITA volunteers reported that parenting filers were unaware of the credit and most did not have receipts of payments for childcare or babysitters.



12. **Seventy percent of youth who filed had worked over the course of the tax year, with the vast majority qualifying for earned income tax credits.** To be eligible for state and federal earned income tax credits, a filer must have earned at least $1 over the course of the tax year, but their earnings must not have exceeded specific thresholds: $30,000 for the CalEITC and between $21,430 and $51,464 depending on the number of dependents for the federal EITC. Of the 70% of filers who had worked over the course of the tax year, 63-65% had earnings below the thresholds and qualified for the credits. Qualifying for these credits resulted in youth increasing their tax returns on average, by $1,073 for the federal credit, and $172 for the state credit.

13. **Filers with self-employment earnings (15%) required additional time and instructions to file correctly.** Self-employed filers must account for 1099-NEC and Schedule C business expenses. Youth expressed overwhelm and confusion with the process of accounting for qualified expenses and experienced a higher rate of federal and state taxation than their peers with similar income who reported only W-2 employment. Figure 2 provides a complete picture of the tax refunds current and former foster youth who filed with one of the project VITA sites received by filing a 2021 tax return.

FIGURE 2: TAX CREDITS AND REBATES RECEIVED BY YOUTH WHO FILED THROUGH THE PROJECT

TAX CREDIT OR REBATE	% OF YOUTH WHO RECEIVED IT	TOTAL AMOUNT REFUNDED	AVERAGE TAX CREDIT OR REBATE
Federal Child & Dependent Care Credit	3%	$2,000	$2,000
California Young Child Tax Credit	9%	$18,000	$1,000
Federal Child Tax Credit	13%	$85,356	$3,161
Federal Education Credits	19%	$24,926	$623
Recovery Rebate Credit	50%	$162,200	$1,545
Federal Withholdings Refunded	60%	$46,564	$373
Federal Earned Income Tax Credit	63%	$141,629	$1,073
California Earned Income Tax Credit	65%	$23,353	$172
California Tax Rebate*	100%	$81,900	$393
Previous Year Tax Returns Filed** (2018, 2019, 2020)		$58,277	$1,534
TOTAL		**$628,538**	**$2,789**

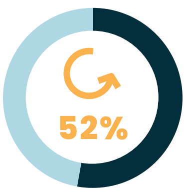
* The California Middle Class Tax Refund rebate will be distributed between October 2022 and January 2023 to eligible filers. All filers with the project had income less than $75,000 and will qualify for the maximum amount.

** Forty-two youth filed previous year tax returns in 2022. Tax credit and threshold information varies annually and therefore the data from these returns is not reflected in the other rows of the table in Figure 2.

SERVICE LEVEL FINDINGS

YOUTH EXPERIENCE

14. **For each first-time filer, a minimum of 4.5 hours of support is necessary to file their tax return.** Youth who filed through the project were provided step-by-step assistance with navigating the tax filing process which consisted of outreach, document gathering, appointment scheduling, appointment reminders, and working on and submitting the final signed tax return. Youth also commonly needed support recovering one or more missing documents required to file taxes, including photo identification, social security cards, and tax documents. For youth attending in-person appointments, this sometimes also included transportation assistance. For filers who had some experience with filing, a minimum of three hours of support was provided.

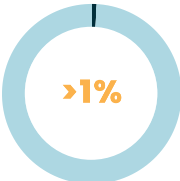


15. **More than half (52%) of youth who filed with Santa Clara's site in 2021 returned in 2022 for support with filing.** Returning youth reported that filing with an IRS-certified preparer allowed them to file with confidence and maximize their return. Organizations seeking to partner again next year anticipate a similar rate of return for tax appointments in 2023.

16. **The most effective tax outreach strategy was direct messaging and support from a trusted adult.** Youth were most responsive when a supportive adult in their life referred them to one of the tax sites and assisted them with booking an appointment. Additional effective strategies included hiring an outreach coordinator with lived experience in foster care to support the site appointment and intake process and hosting an Independent Living Program class on tax filing, available credits, and how to sign up for a tax appointment. Further efforts to generate additional filers included sending individual text messages and making phone calls to youth receiving services from the county or organization running the site. Finally, project partners posted on social media and circulated flyers to promote tax services.

17. **Offering a monetary incentive to attend tax events and appointments resulted in fewer missed appointments.** Sites that offered a $50 gift card to youth who showed up for their appointment or event on time found this to be an effective strategy. Some sites offered food and raffle prizes for attending in-person events. These incentives helped youth prioritize tax filing among multiple other responsibilities, including work and school. While incentives and food are an effective strategy, they are not eligible uses of state or federal VITA grant funding, so JBAY provided supplemental grants to assist with these costs.

VITA SITE CAPACITY

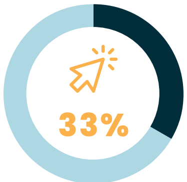


18. **Between February and June 2022, the California Foster Youth Tax Project served less than 1% of the total statewide population of current and former foster youth ages 18 through 25.** In order to ensure that all current and former foster youth have adequate support with filing, strategies are required to connect youth to VITA sites outside the project and to assist youth with supported self-filing.

19. **Sites dedicated a minimum of one full-time equivalent staff to establish and operate each VITA site, including a site coordinator and an outreach coordinator.** Site coordinators reported that launching and operating a VITA site required significant time and effort. To establish a VITA site, staff completed the IRS site coordinator certification and training as well as the basic or advanced IRS VITA volunteer exam. The required certification training includes reading IRS publications, attending virtual training sessions, and completing IRS-mandated open-book tests. The initial duties of site coordination include establishing the site; submitting necessary paperwork to the IRS; recruiting and organizing volunteers; determining site schedule and hours; and managing communications between staff, volunteers, and filers. Once the site was established, coordinators were responsible for managing the program and volunteers as well as ensuring quality appointments. Site coordinators also supported intake, scheduling, and problem-solving for difficult return issues. Site coordinators reported needing specialized skills to support current and former foster youth who are often first-time tax filers. Specifically, site coordinators utilized a trauma-informed approach to address common needs such as missing documents, answering and addressing tax filing questions or misconceptions, and resolving and referring youth to legal support who may be victims of identity theft.

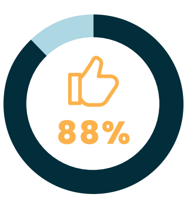
20. **While virtual appointments were popular during the pandemic, some youth lacked phone, computer, or internet access and required in-person appointments.** Another reason some youth preferred in-person appointments was discomfort with uploading their personal information to electronic platforms. Some sites offered tax event days where pairs of volunteers and youth were set up in different rooms following indoor mask mandates. These events proved successful and efficient in serving a greater number of youth per event than is typically possible with one-on-one virtual appointments.

VITA VOLUNTEERS



21. **One in three (33%) volunteers initially recruited opted to complete the training process and participate in the project.** New VITA volunteers require significant support to navigate required IRS training, specialized foster care training, and logistics training on site schedule and operations. Volunteers must pass a series of tests including a 10-question Volunteer Standards of Conduct and Ethics certification, a 15-question Intake and Interview Sheet certification, and either the Basic or Advanced certification which includes preparing three sample tax returns in the IRS system and answering a series of questions about each scenario. The training includes 12–15 hours of virtual class time and at least six hours of practicing tax returns. Returning volunteers must pass the three certifications annually to ensure awareness of any changes in federal tax laws that apply to the return. After learning more about the process and training requirements, 67% of volunteers chose not to proceed. For those who remained, the project offered study groups, office hours, and 1:1 support with questions to navigate the IRS required training and certification process.

22. **Volunteers at specialized sites for foster youth required the initial 20 hours of IRS training and an additional three hours of specialized training on the common tax credits, issues, and barriers for foster youth and first-time filers.** These topics include clarifying that foster care payments should not be entered on taxes or confused as earned income; how to help youth navigate difficult questions related to being a single filer or dependent on someone else's return; being an eligible custodial parent for tax purposes; how to explain the credits youth may be eligible for; and strategies to encourage them to file. To meet this need, JBAY provided training on these topics to over 100 nonprofit organization partners, county staff, and VITA volunteers.



23. **Santa Clara County's site, the Hub, retained eight out of nine (88%) volunteers from the prior tax season.** Santa Clara County participated in the 2021 pilot project. In 2022, this site made an effort to retain volunteers from the previous year. When asked what factors contributed to their returning, volunteers reported they appreciated how organized the site coordinators were and the positive impact they had in reducing youth poverty and supporting youth financial literacy. Returning volunteers brought great value to the site as they served as quality reviewers—an important role that is challenging to recruit for—and helped with more complex tax returns.

24. **IRS-certified VITA volunteers are not trained on completing the state portion of the tax return and required additional guidance from project staff.** New volunteers required training from site coordinators on how to complete the California state tax return in the TaxSlayer software used by the sites. Training covered how to answer state return questions related to health insurance coverage and eligibility for California's nonrefundable renter's credit. Nearly all filers were current and former foster youth with Medi-Cal eligibility until age 26 so volunteers were trained on how to indicate that foster youth had full health coverage for the entire year and did not pay for insurance on the marketplace exchange.

CHILD WELFARE AGENCIES & PARTNER ORGANIZATIONS

25. **Child welfare agencies and partner organizations conducted outreach to over 1,000 peers to increase awareness of tax filing, credits, and how to refer current and former foster youth to an appointment.** Partners reported that conversations did not always lead to an increase in referrals, noting a lack of official training, protocol, and/or policies as barriers. Partners also noted staff workload issues, turnover, or vacancies as barriers to more direct outreach. Partners supported their colleagues by providing consistent, accurate information throughout the tax season. Partners reported that one-on-one conversations and staff training increased awareness of the benefits of tax filing and led to an increase in referrals to tax appointments. One site conducted role play conversations to help boost staff members' comfort in discussing tax filing.

26. **Child welfare agencies and partner organizations had strong networks, which were helpful for recruiting an initial 162 individuals interested in becoming VITA volunteers.** In fall 2021, JBAY and partners developed a volunteer recruitment plan starting with individuals with an interest in supporting current and former foster youth. Volunteer recruitment plans included outreach to college campus programs serving foster youth, Court Appointed Special Advocates, the Junior League of America, financial institutions like local banks and credit unions that provide other services to foster youth, Volunteer Match, and county and partner organization listservs and newsletters.

27. **Most partner organizations and counties lacked formal partnerships with Low Income Taxpayer Clinics or tax attorneys who could support youth with legal issues.** Legal issues included being a victim of tax fraud, missing tax refund payments, or incorrect determinations on the amount of taxes or refunds owed. When referred to clinics, staff and youth were often informed the clinics were at capacity and had long wait-times for support. Unfortunately, wait-times delayed the resolution of the legal issue at hand as well as the processing of the tax refund. For partner organizations that did have formal partnerships with entities that could assist with legal issues, those partnerships paid off. Santa Clara County partnered with the Law Foundation of Silicon Valley to provide legal services during the 2021 pilot project. In 2022, Santa Clara found fewer cases of youth experiencing tax fraud as a result of a large number of youth returning in year two having already resolved their legal issues.

RECOMMENDATIONS

RECOMMENDATIONS FOR COMMUNITY-BASED ORGANIZATIONS

1. **Apply for state, federal, and local funding to become a specialized VITA site for foster youth.** The IRS releases the VITA Grant Opportunity in the spring to fund VITA site operations for communities serving low-income and hard-to-reach tax filers.[iv] The California Department of Community Services and Development (CSD) issues a Notice of Funding Availability in the fall to support education and outreach activities to increase awareness and availability of VITA sites and tax credits.[v] Grantees of CSD subgrant funding to local community-based organizations or agencies seeking to operate a VITA site and conduct tax outreach. Mini-grant applications take place in late fall and were the primary source of government funding used for VITA site operations for the project.

2. **Recruit and train VITA volunteers on the state return process to claim the Foster Youth Tax Credit.** The IRS certification does not specify the state return details or common tax scenarios of foster youth. Step-by-step screenshots and instructions will ensure VITA volunteers are able to properly help youth claim the credit. Training for volunteers should cover eligibility rules and how to confirm youth were in care on or after their 13th birthday if the youth is uncertain. Instructions on any foster care documentation that may be optional to add to the tax return should be included in VITA training following guidance from the state.

3. **Offer youth incentives and resources for participation in tax filing appointments, events, and classes.** Sites that provided $50 gift cards for attending tax appointments experienced fewer missed appointments. In addition to gift cards, it is recommended that sites provide food, transportation, translation, and/or childcare services to make tax filing as accessible as possible for current and former foster youth. Youth living in deep poverty are making day-to-day decisions about survival, work, and school. Incentivizing tax filing, which can feel overwhelming, will help prioritize the task and further ensure youth are able to participate given competing priorities and deadlines.

4. **Partner with legal aid and Low Income Taxpayer Clinics to assist current and former foster youth who have experienced identity theft and tax fraud.** Most California counties do not have a Low Income Taxpayer Clinic despite identity theft affecting about 1 in 20 Americans each year.[vi] Current and former foster youth often experience higher rates of identity theft and tax fraud and require specialized assistance to address issues and prevent ongoing damage to their financial health and futures. Project partners experienced difficulties referring youth for support with IRS-related fraud issues due to high-volume demand for all low-income Californians. Formal partnerships and funding for legal aid are necessary to help resolve fraud.

5. **Maximize income-based public benefits by scheduling follow-up appointments for filers to apply for CalFresh, CalWORKS, financial aid, and rent and utility assistance.** Data from the project indicated most youth who filed were income-eligible for several public benefits programs. The application process for many public benefits is significantly less time-consuming if the applicant has an accepted tax return. Linking youth to a public benefits navigator or follow-up appointment can further maximize the benefits of tax filing and reduce deep poverty.

RECOMMENDATIONS FOR CHILD WELFARE AGENCIES

6. **Establish county policy and protocol requiring case managers to refer current and former foster youth to a free tax filing appointment.** As demonstrated by the project, case managers, ILP coordinators, and contracted providers can offer a wide range of support to increase rates of tax filing. Partners found that the most effective strategy is to have a trusted adult supporter simply explain the benefits of filing taxes and assist youth with scheduling a free tax appointment. County protocol should reflect the tax season timelines, and should reference accurate, youth-friendly tax materials as well as local in-person and virtual free filing locations.

7. **Provide a series of financial and tax literacy classes during the fall to increase awareness of free filing services and youth readiness for filing.** Independent Living Programs (ILP) should partner with financial literacy specialists to provide classes or mentoring to help foster youth understand the benefits of tax filing, prepare to file, establish a checking and savings account, and practice basic accounting and budgeting skills. Some counties in the project hosted ILP classes on tax readiness and appointments, and subsequently experienced an increase in VITA appointments.

8. **Assist transition-age foster youth with securing their driver's license, social security card, and other vital documents.** It was common for youth filing through the project to be missing one or more documents necessary to file. Child welfare agencies and their partners can address this issue by assisting foster youth with securing vital documents before tax season, including a driver's license or state identification card, tax forms such as the W-2 for any employment earnings, receipts and expenses for those who are self-employed, and receipts for qualified school expenses for youth in postsecondary education.

9. **Develop relationships with local VITA sites to streamline referrals and host local tax filing events.** Partners were able to bring hundreds of thousands of dollars in cash back relief to current and former foster youth in their county. Child welfare agencies are critical partners in this work given their ability to conduct direct outreach to transition-age foster youth. Partnering with VITA allows case managers to focus on referring youth while trained volunteers can answer individual tax questions.

10. **Provide current and former foster youth with technology including phone, computer, and internet so they can participate in virtual tax appointments.** Current and former foster youth qualify for a free or reduced-rate phone, internet, and laptop and can be connected through iFoster or their schools, if enrolled. This access is not only critical for tax filing but for school and jobs as well.

STATE LEVEL POLICY RECOMMENDATIONS

11. **Issue an annual report on the Foster Youth Tax Credit that disaggregates filing data by age, county, current or former foster youth status, and filing status.** The 2022 budget trailer bill, Senate Bill 201, establishes the Foster Youth Tax Credit and requires the Franchise Tax Board to compile an annual report on the number of tax returns claiming the credit and the average amount of funding received.[vii] Providing county-level information will help improve the implementation of the credit over time by highlighting where outreach strategies are proving effective and where additional efforts are most needed.

12. **Issue state guidance directing county child welfare agencies to share information on the Foster Youth Tax Credit.** CDSS issues All County Information Notices about the California Earned Income Tax Credit. A new notice should include information about the new Foster Youth Tax Credit, provide youth-friendly outreach materials for child welfare agencies to utilize, and direct child welfare agencies to assist youth with making appointments. CDSS should explore methods of direct outreach strategies such as text, email, and mail to foster youth receiving direct foster care payments and infant supplement payments.

13. **Direct state tax outreach and education funds to raising awareness and maximizing participation in the Foster Youth Tax Credit.** The Budget Act of 2022, Senate Bill 154, provides $20 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.[viii] A portion of these funds should be directed to organizations with experience serving transition-age youth to conduct outreach and raise awareness about the Foster Youth Tax Credit.

14. **Raise the minimum California Earned Income Tax Credit (CalEITC) amount for single filers.** The average tax refund for current and former foster youth eligible for the CalEITC was $172. The difference in tax filing benefits for single filers and parenting filers is significant—youth who were custodial parents received, on average, a return that was more than triple the average return for single filers ($7,795 vs. $1,919). Setting a minimum or raising the CalEITC value for single filers would further the goal of reducing poverty among working Californians.

15. **Adopt Assembly Bill 2306 which would require referrals to tax literacy classes and tax filing services for youth in child welfare.** AB 2306 (Cooley) would require programs to include tax literacy in their Independent Living Program (ILP) curriculum.[ix] It would also expand ILP in California to age 23, allowing increased connectivity to former foster youth eligible for the FYTC.

16. **Create a simplified state tax filing tool for low-income filers such as current and former foster youth.** Existing systemic barriers have demonstrated that current and former foster youth miss out on tax credits because many do not file. To guarantee they receive the Foster Youth Tax Credit and other poverty-reducing tax credits, the state should take an approach fashioned after their process for issuing the Golden State Stimulus to Supplemental Security Income 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.

FEDERAL LEVEL POLICY RECOMMENDATIONS

17. **Permanently expand the federal Earned Income Tax Credit for young adults ages 18 to 24.** The American Rescue Plan Act (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. The EITC provided one of the largest cash back benefits to filers with the project. Permanently expanding the EITC eligibility for transition-age youth can help youth who are living in deep poverty.

18. **Permanently expand the Advanced Child Tax Credit (CTC).** 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 project 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 which increased the cash back value of the refund. Permanently expanding these changes will promote child and family well-being and increase family economic security.

19. **Provide additional funding through the John H. Chafee Foster Care Program Successful Transition to Adulthood designated for tax literacy, outreach, and preparation.** With additional federal funds, ILPs could set up tax sites, conduct outreach activities on financial services that remove barriers to tax filing, connect with legal partners to address identity theft, and significantly boost the income of young adults who are currently in foster care or have transitioned out.

20. **Provide additional funding for Low Income Taxpayer Clinics to provide technical assistance and tax fraud support services to current and former foster youth.** 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. Local capacity issues prevented other counties from securing legal support during the tax season.

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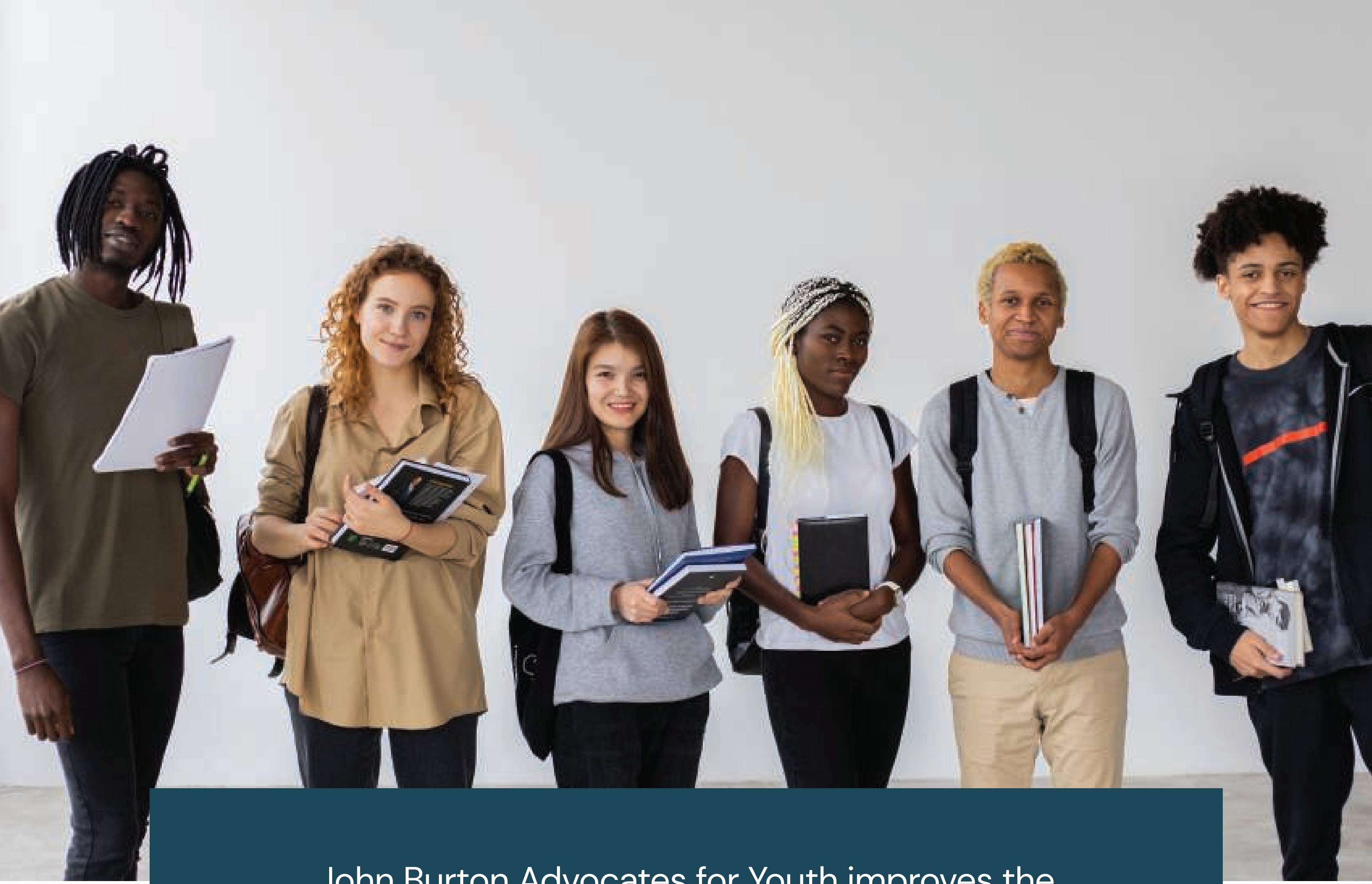

John Burton Advocates for Youth improves the quality of life for youth in California who have been in foster care or homeless by advocating for better laws, training communities to strengthen local practices and conducting research to inform policy solutions.

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