

SEPTEMBER 13, 2023

California's Historic

Tax Credit for Foster Youth

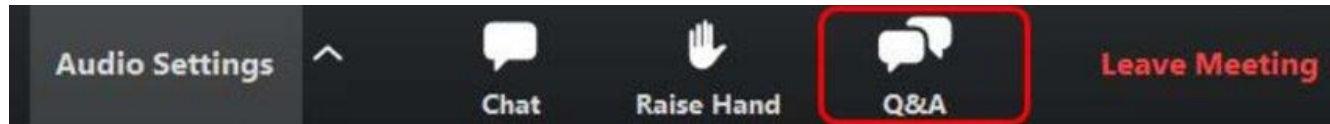
Assessing Progress in Its Inaugural Year



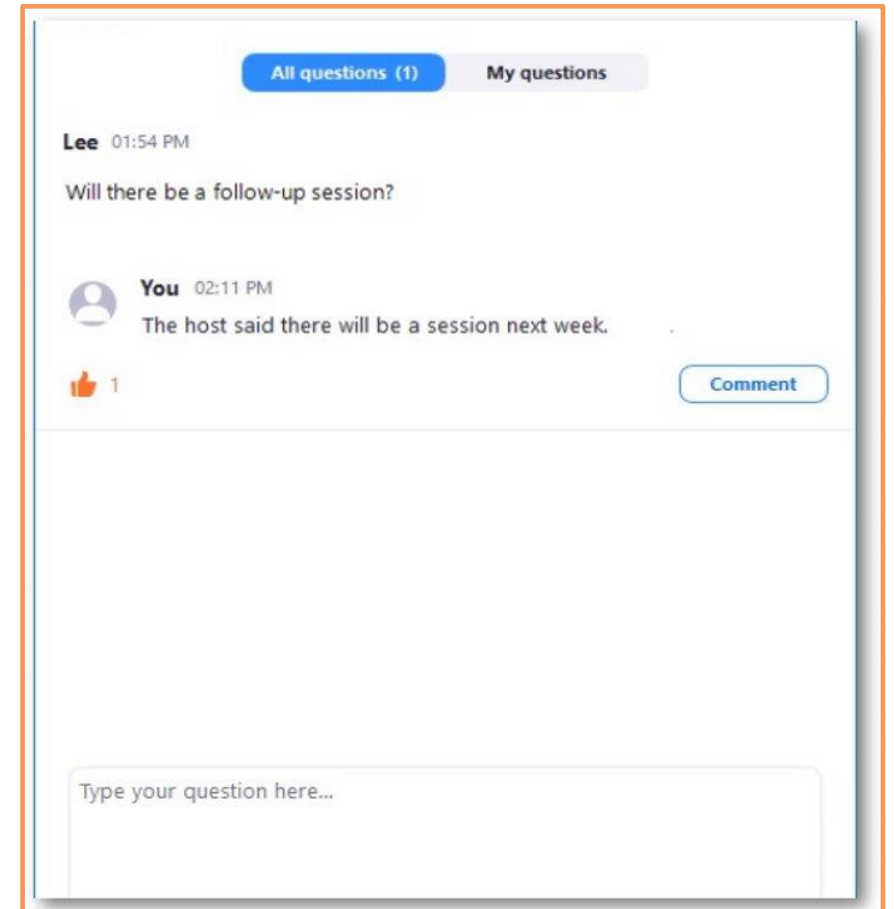


Using Zoom Webinar

To submit questions, click on the Q & A icon on the control panel. The Q & A window will appear, allowing you to ask questions to the host and panelists.*



Webinar materials and recording will be posted at <https://jbay.org/resources/> and sent out to all registrants following the live presentation.



Read the Full Report



<https://jbay.org/resources/2023-fytc-report/>

Agenda

1. Background & Goals
2. Strategies
3. Findings
 - i. Number of Recipients
 - ii. Amount of Tax Refunds
 - iii. Impact on Income & Poverty
 - iv. Preparer Types
 - v. Age
 - vi. Prior Year Filings
4. Implications for 2024 and Beyond
5. Young Adult Experience: Missing the FYTC
6. Preparing for 2024 Tax Season
7. Q&A





Acknowledgements Community Partners



Aspiranet

Beyond Emancipation

Bill Wilson Center

California Youth Connection

CalEITC Coalition

Coalition for Responsible Community Development

The Community College Foundation

Court Appointed Special Advocates-San Francisco

Focus Forward

Golden State Opportunity

iFoster

Local IRS representatives

Just in Time for Foster Youth

Kern County Network for Children

Lutheran Social Services of Northern CA

Orangewood Foundation

Think of Us

United Way Bay Area

United Way of Fresno and Madera

United Ways of California

VOICES

VITA Volunteers

Counties participating in FYTC Challenge



Acknowledgements

Policymakers & Administrators



Office of Governor Gavin Newsom

California State Legislature

Former State Controller Betty Yee

State Controller Malia Cohen

California Franchise Tax Board

California Department of Social Services



Acknowledgements

Supporters*



The California Wellness Foundation
Conrad N. Hilton Foundation
Crankstart
Golden State Opportunity
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Tipping Point Community
United Ways
Walter S. Johnson Foundation

*This group of generous funders supported JBAY and/or partner organizations



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Rosemarie Fuentes

Young Adult who Filed in 2023

Background and Goals





The Foster Youth Tax Credit (FYTC) is the first-ever tax credit for foster youth



In 2021, JBAY proposed the creation of a new tax credit for foster youth in California: the **Foster Youth Tax Credit (FYTC)**.

- With support of State Controller Betty Yee, Governor Gavin Newsom and the California State Legislature, the FYTC was funded at **\$21M annually**.
- FYTC is administered by the California Franchise Tax Board (FTB) in partnership with California Department of Social Services (CDSS) to verify foster care eligibility.

In 2023 the FYTC provided up to **\$1,083** for youth who:

- ✓ Filed their 2022 state tax return
- ✓ Age 18-25 at end of tax year
- ✓ In foster care on or after 13th birthday
- ✓ Eligible for CalEITC (income between \$1-\$30,000, SSN/ITIN, and lived in CA at least half the tax year)

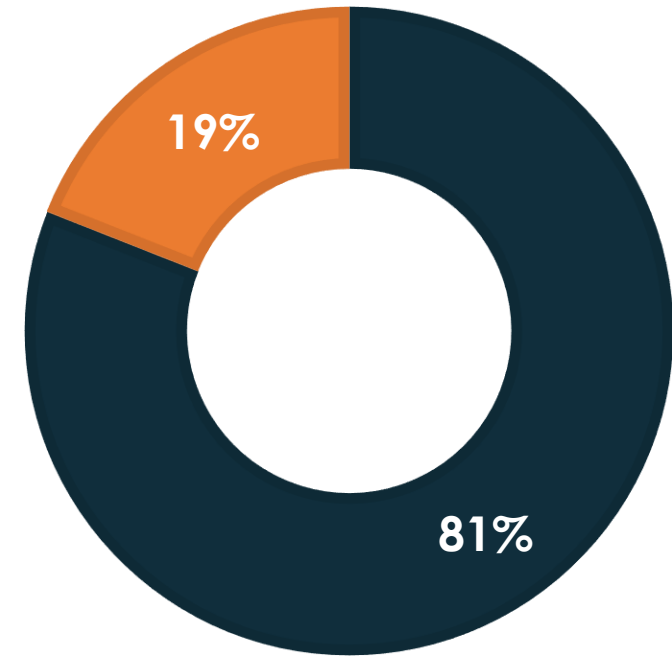


JBAY conservatively estimates the number of youth eligible for FYTC as 55,452.

According to CDSS data, **67,225 current** and former foster youth were in foster care on or after their 13th birthday.

Based on earnings data from California Youth Transitions to Adulthood Study, **55,452 of these youth earned at least \$1 in 2022.**

Youth cannot be claimed as a dependent on another tax return, such as that of a foster parent, relative or other adult, which further reduces the eligible pool.



81% with income in the last 12 months

19% no income in the last 12 months



Goal of the Project

Reach full implementation of the California Foster Youth Tax Credit so that all eligible youth are accessing the credit, with at least 10,000 youth by 2025 tax season

To reach this goal, JBAY is utilizing a range of strategies:

1. **Specialized Volunteer Income Tax Assistance (VITA) sites** for current and former foster youth
2. **Statewide outreach** to spread awareness and refer youth
3. **Self-filing events** with community partners
4. **California Foster Youth Tax Credit Challenge** for county child welfare agencies
5. **Focus on expectant and parenting youth** in Los Angeles County

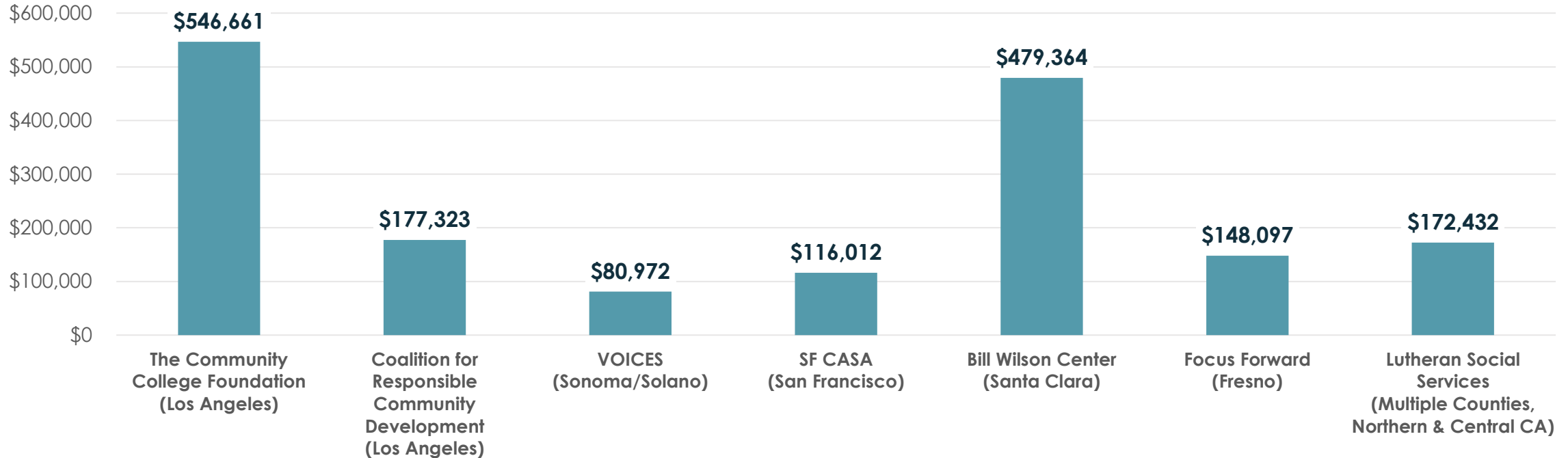
Strategies to Implement the FYTC





Strategy #1

Specialized VITA sites for current & former foster youth



Altogether, seven VITA sites completed **817 tax returns** for youth, resulting in **\$1,720,851 in refunds** to foster youth.

Strategy #2

Statewide Outreach



Statewide outreach partners California Youth Connection, Think of Us, and iFoster **conducted outreach to 30,000 youth, caregivers, and youth-serving agencies** in California.

Strategy #3

Self-filing events



- Aspiranet (Los Angeles, Riverside, San Bernardino, and Fresno Counties)
- Beyond Emancipation (Alameda County)
- John Burton Advocates for Youth (statewide virtual)
- Just in Time for Foster Youth (San Diego County)
- Kern County Network for Children (Kern County)
- Orangewood Foundation (Orange County)
- St. Anne's (Los Angeles County)
- Village Drop-in Center (Los Angeles County)

30 self-filing events helped an estimated **275 current and former foster youth**



Strategy #4:

California Foster Youth Tax Credit Challenge



- January through July 2023
- **22 participating counties (80% of state's eligible youth)**
- Friendly competition for highest FYTC claiming rate
- Three winning counties based on county size (small, medium, large)
- Assistance developing outreach plans to identify/refer eligible youth



2023 Foster Youth Tax Credit Challenge

Participating Counties



- Alameda
- Butte
- Contra Costa
- Del Norte
- Fresno
- Humboldt
- Imperial
- Kern
- Los Angeles
- Napa
- Nevada
- Orange
- Sacramento
- San Diego
- San Francisco
- San Joaquin
- San Mateo
- Santa Barbara
- Santa Clara
- Solano
- Stanislaus
- Yolo



2023 Foster Youth Tax Credit Challenge **Winners**



County Size Category	County	FYTC Claiming Rate*	Number of Young Adults Received FYTC*	Total Dollar Amount Claimed*
Small	Stanislaus	16.2%	99	\$101,317
Medium	Kern	14.7%	201	\$212,473
Large	Fresno	11.8%	234	\$238,268

* as of 7/29/23



Strategy #5

Expectant & Parenting Youth (EPY) in Los Angeles



- VITA Site Referrals at EPY Conferences
- Self-Filing Events at EPY Placements
- Text Message Marketing to EPY

Partner: Reproductive Health Equity Project for Foster Youth

Findings





4,732

Youth Received the FYTC*



*as of August 5, 2023



8.7% of eligible youth received the FYTC in its first year.

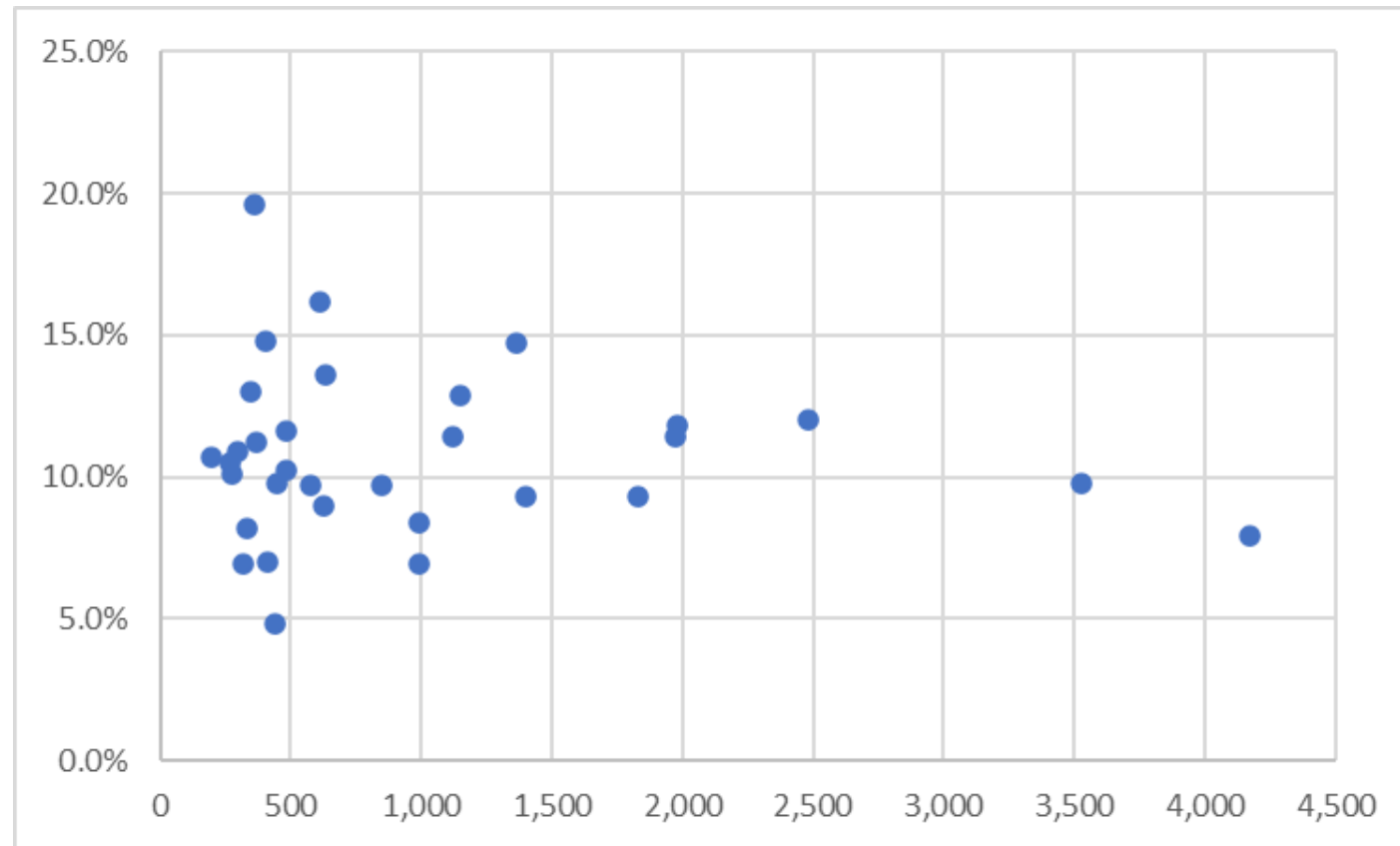
By comparison, 53% claimed the Cal EITC- a much larger, more established program.



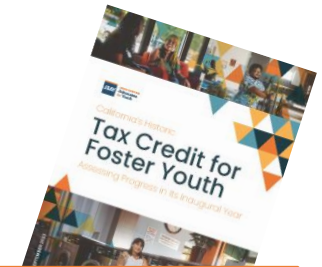


County receipt rates ranged from 4.8% to 19.6%

Percent of Eligible Recipients Who Claimed the FYTC



Number of Eligible Youth in Each County



See page 8 of the report for a complete list of FYTC claiming rates by county.

23.1% of
youth who
received
the FYTC
were
**custodial
parents**





The FYTC refunded **\$4.9 million** directly to current and former foster youth

- **\$4,915,482** to the 4,732 current and former foster youth who received the FYTC
- Average of **\$1,039**/person—just \$44 less than FYTC maximum of \$1,083





Youth who claimed the FYTC received other credits

- **Federal Child & Dependent Care Credit:** Cover childcare expenses so that you can work
- **California Young Child Tax Credit:** \$1,083 per child under 6 years old with earned income lower than \$30,000
- **Federal Child Tax Credit:** Tax credit for each dependent under 17 years old





Youth who claimed the FYTC received other credits

- **Federal Education Credits:** Include American Opportunity Tax Credit and Lifetime Learning Credit to cover education expenses
- **Federal Earned Income Tax Credit:** For low- to moderate-income families
- **California Earned Income Tax Credit:** Up to \$3,417 if you earn up to \$30,000





These credits, combined with FYTC, increased average amount refunded to youth



Custodial Parents averaged a **\$5,343** refund at one of seven VITA sites



Single Filers averaged a **\$1,906** refund at one of seven VITA sites



\$9,021,510 in total refunds to **4,732**
youth who claimed the FYTC



A small minority of youth had a tax liability

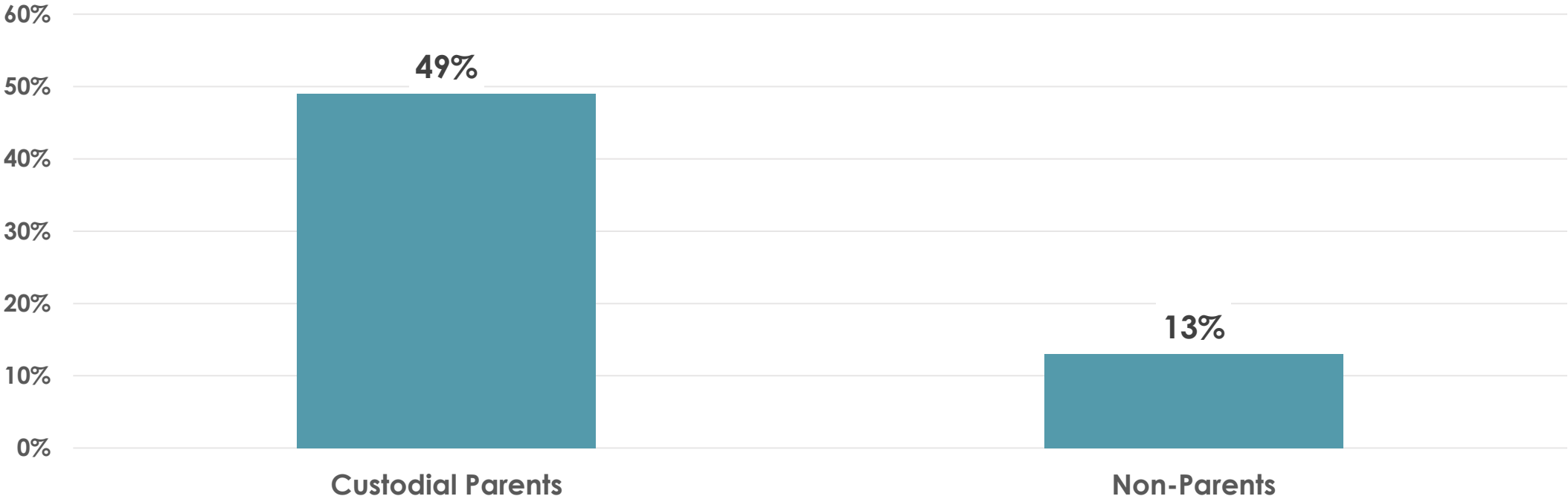
7% of filers
owed an
average of
\$1,061





The FYTC increased the income of parents and nonparents

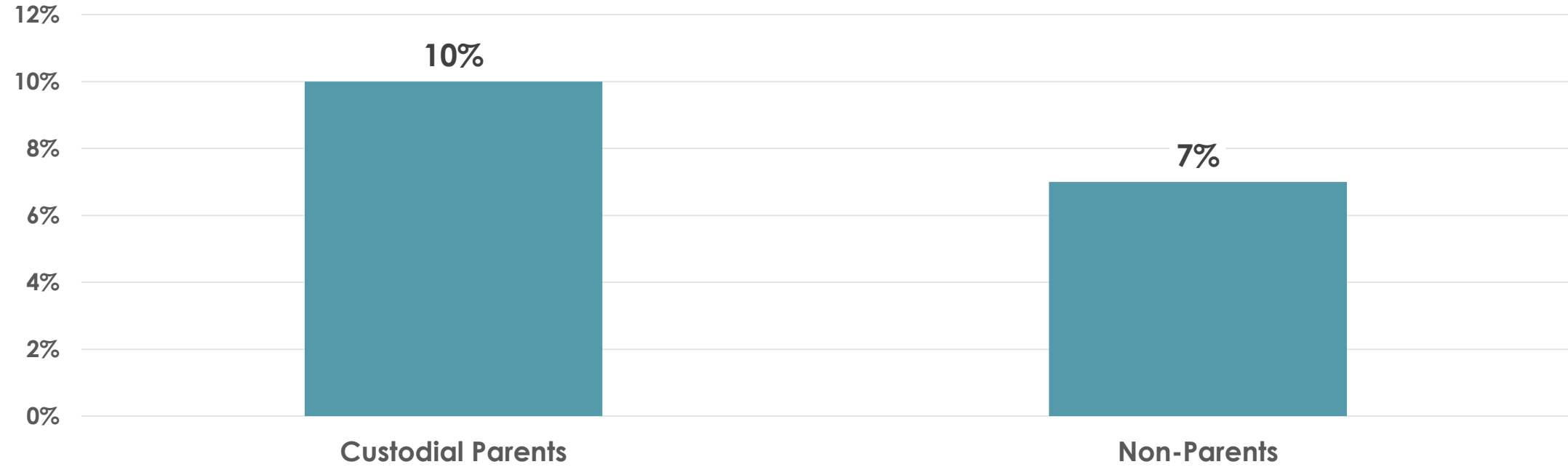
Average Increase in Annual Income





The FYTC decreased poverty among parents and nonparents

Average Decrease in Poverty





Most youth who received the FYTC self-filed

	FOSTER YOUTH TAX CREDIT	CaIEITC
Self-Prepared	85%	40%
VITA	10%	2%
Paid Preparer *	5%	57%

* i.e. H&R Block, Jackson Hewitt, Turbo Tax, Liberty Tax, etc.



Rates of FYTC receipt were highest among those ages 20-21

AGE	RATE OF RECEIPT
18	4.2%
19	9.8%
20	10.6%
21	10.0%
22	9.2%
23	8.5%
24	7.8%
25	7.5%



A sizable number of youth filed prior year tax returns

	2022		2021		2020		TOTAL
Tax Returns Filed for that Tax Year	518	63%	144	18%	155	19%	818
Amount of Returns	\$1,035,222	60%	\$342,632	20%	\$342,997	20%	\$1,702,852

Implications for 2024 and Beyond





The first-year rate was low but respectable



4,732

10,000



Outreach efforts for the FYTC varied across counties

Percentage of foster youth, by county, who filed tax returns for 2022 and received the new foster youth tax credit.

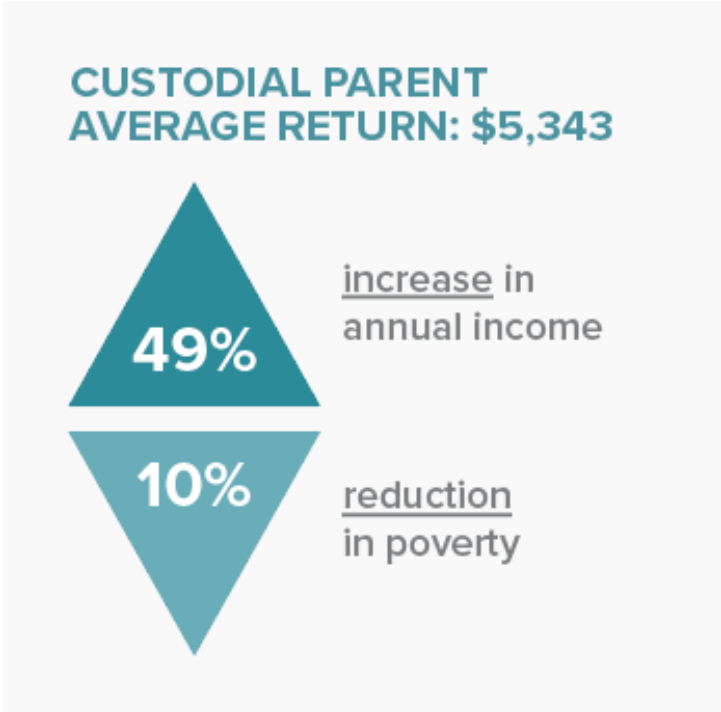


- Fewer than 11 claims
- 5.0%
- Between 5.1 & 10%
- Between 10.1% & 15%
- 15.1%+



The FYTC achieved its policy goal for those who received it

The FYTC increased income and reduced poverty.





The FYTC is being missed by youth who use paid preparers

Youth need to know that free options are available.

If they choose to use paid preparers, bring information about FYTC.

If they use a paid preparer and miss the FYTC, they should file an amendment.





Former foster youth aged 22 to 25 require more intensive FYTC outreach



In 2024, JBAY will implement a digital marketing strategy to reach youth directly—particularly older youth.



Earlier outreach is required, particularly for custodial parents

JBAY is working with counties to send notices to expectant/parenting youth in the fall.

If you are with a county agency and would like to send a notice to non-minor dependents in your county, let us know.





Filing previous years' returns significantly increases youths' income



299 youth submitted prior year tax returns, receiving an **extra \$685,629**

Promoting prior year returns will be a priority in 2024



More integration with foster youth campus support programs is required



- NextUp was expanded to all 116 community colleges.
- Eligibility for FYTC is identical to NextUp
- If you're with a campus, plan your tax outreach strategy to ensure all youth file and receive the FYTC.



Recruiting and training VITA volunteers remains a challenge



In 2024, the foster youth VITA sites are addressing this by partnering with Dreams for Change, a San Diego based nonprofit that trains VITA volunteers.

This training will address gaps in local training infrastructure and accessibility and tailor training to the most common tax filing needs and experiences of foster youth filers.



Increased use of self-filing events may increase FYTC receipt

In our first year, JBAY focused on VITA sites. Next year, JBAY will shift increasingly toward self-filing and will sponsor 16 self-filing events in the 9-county Bay Area, and 4 in Los Angeles.

Please respond to JBAY's interest form if you're able to host a self-filing event:
<https://forms.gle/FrJi3CNBkJAtLCbU7>.



Interview with Rosemarie Fuentes: Missing the Foster Youth Tax Credit



Preparing for 2024 Tax Season



Become a VITA Volunteer!

- ✓ Attend training
- ✓ Take the certification test
- ✓ Choose weekly volunteer day(s) and time(s) (virtual or in-person)
- ✓ Help youth file their taxes and claim their money



SERVING CONTRA COSTA, SACRAMENTO, SAN JOAQUIN, SHASTA, STANISLAUS

Lutheran Social Services

(in Concord & Alhambra)

VITA1@lssnorcal.org

SERVING LOS ANGELES

(near Wilshire/Normandie)

The Community College Foundation

volunteer@communitycollege.org

(213) 640-3081

SERVING SAN FRANCISCO

SF CASA

FYTaxHelp@sfcasa.org

SERVING SANTA CLARA & SAN MATEO

Bill Wilson Center (at the Hub in San Jose)

<https://tinyurl.com/3ass6v4k>

Jesse Curiel: (408) 501-6774 /

Jesus.curiel01@ssa.sccgov.org



SAVE THE DATE

November 1

Kickoff Webinar for
2024 Tax Season

Stay Connected!



Visit this interest form to receive information or materials, and/or take action for the 2024 tax season.

Let's get the California Foster Youth Tax Credit to as many eligible young adults as possible in 2024!

<https://forms.gle/FrJi3CNBkJAtLCbU7>

Please check all that apply. *

- I am able to conduct outreach to youth in my community about the Foster Youth Tax Credit and tax filing.
- I would like to receive any informational, technical assistance, or outreach materials developed by JBAY or the Franchise Tax Board about the Foster Youth Tax Credit or tax filing.
- I am a county employee and I would like to receive information about opting into the 2024 California Foster Youth Tax Credit Challenge.
- I am able (or possibly able) to host a self-filing event for youth my organization, agency, or program serves.
- I am a VITA volunteer seeking more information about the Foster Youth Tax Credit or how to assist foster youth with tax filing.
- I work in philanthropy and would like to learn more about how to support free tax filing efforts for youth in my region or statewide.
- None of the above.
- Other: _____

Question & answer

Submit questions via the
questions box

For Future Questions:

simone@jbay.org

andy@jbay.org



Thank You

