

VITA FOR FOSTER YOUTH

A Virtual Training on the California
Foster Youth Tax Credit and Assisting
Foster Youth Clients

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INTRODUCTIONS



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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.

Agenda

- Overview of Foster Care & Foster Youth
- Overview of the California Foster Youth Tax Credit (FYTC)
- Claiming the FYTC in TaxSlayer
- Special Topics Related to the FYTC & Foster Youth
- Helping Youth Receive their Refund



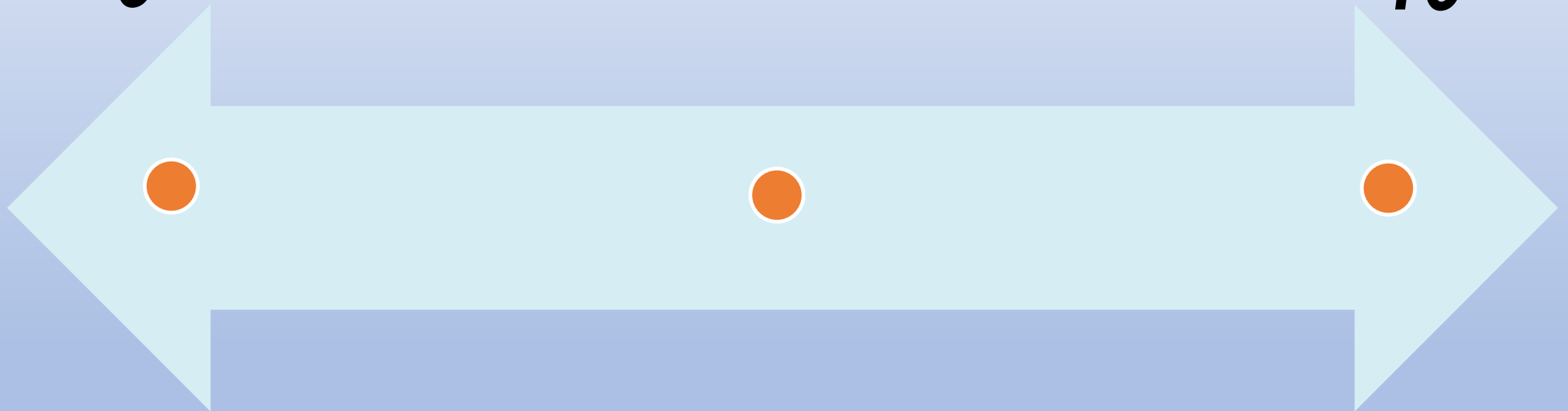
Where are you?

I don't feel
prepared...yet

0

I have the
information I need
and feel prepared

10



On a scale from 0-10, how familiar are you with assisting foster youth clients and claiming the Foster Youth Tax Credit?



Section 1

Overview of Foster
Care & Foster Youth

- Overview of the foster care system
- Information about experiences of children and youth in foster care
- Guidance about how to work with foster youth given their trauma history



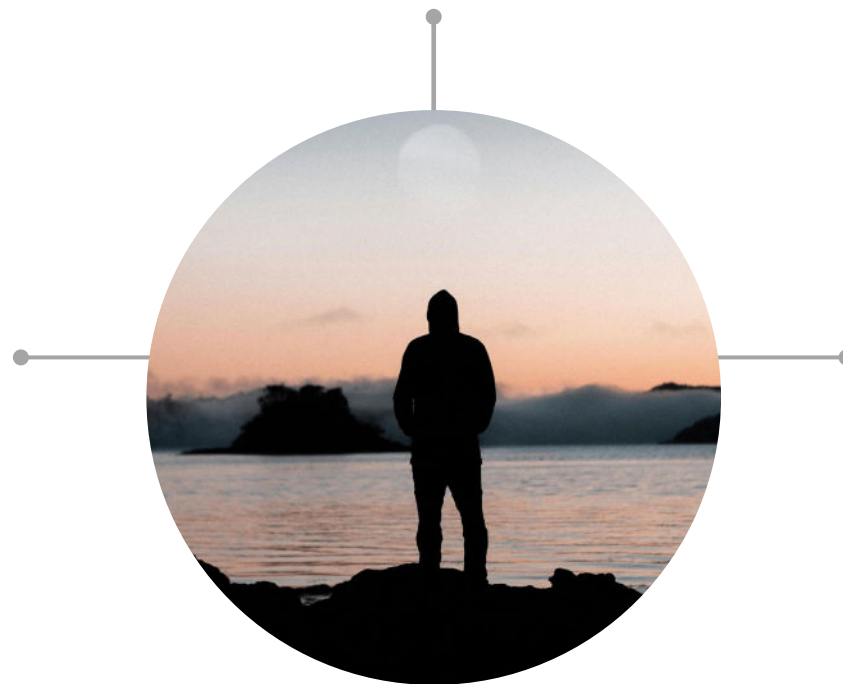


17,000

Enter foster care per year due to
abuse & neglect

42,000

children & youth
in foster care in
California



7,400

are young adults,
aged 18 to 21





Impact on Foster Youth

- Lower rates of **educational attainment**
- Higher rates of **behavioral health challenges**
- Higher risk of **homelessness**
- High levels of **resiliency**

LAST DECADE HAS BEEN A PERIOD OF REFORM FOR “OLDER” YOUTH IN FOSTER CARE



Expansion of
**housing
resources** to
ensure a safe
transition



Expansion of
financial aid to
make **higher
education** within
reach for foster
youth



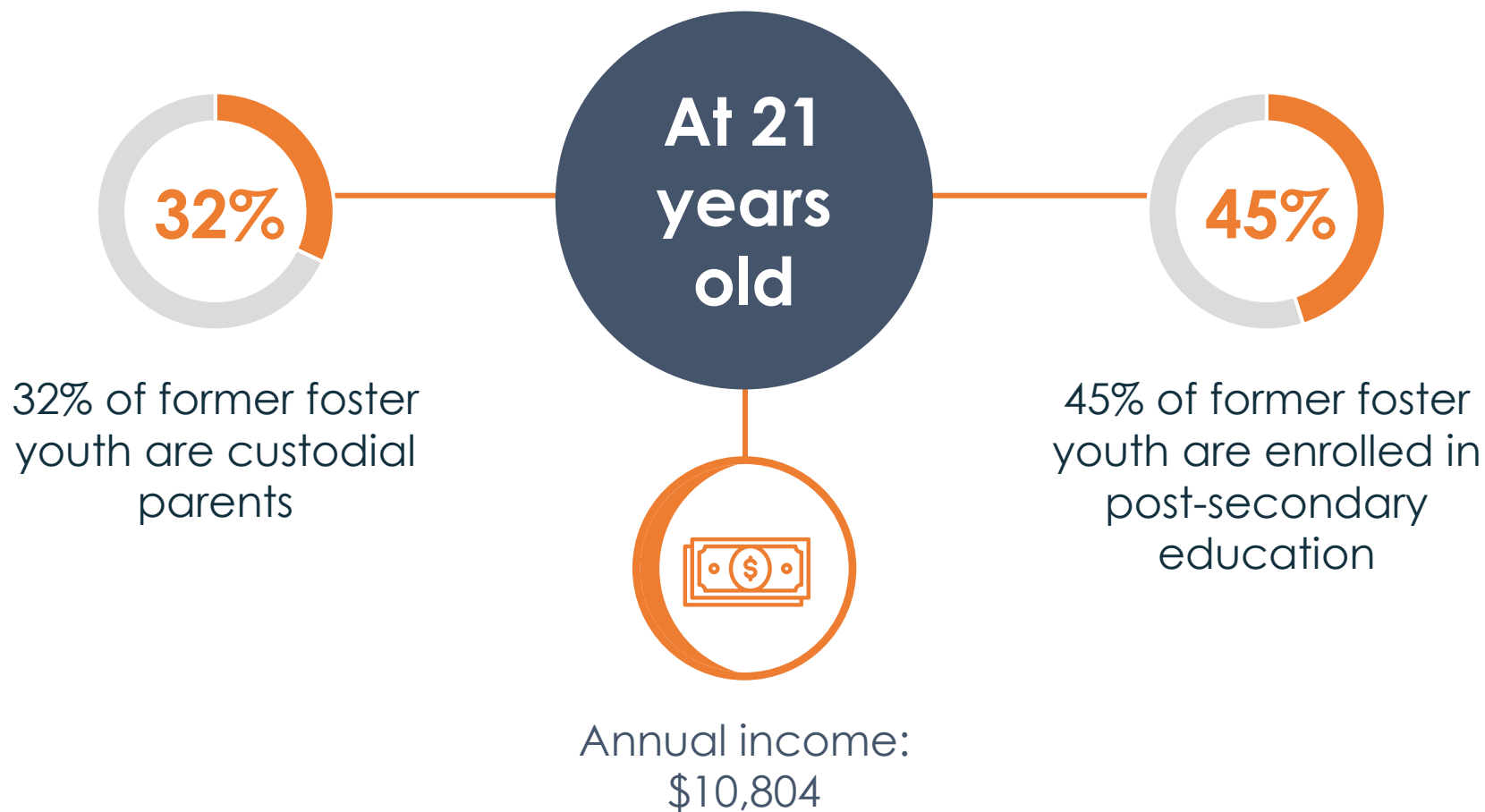
Creation of
Foster Youth
Tax Credit to
increase income



YOUNG ADULthood LOOKS DIFFERENT FOR YOUTH LEAVING FOSTER CARE



Foster youth face young adulthood without the financial or emotional support of an extended family.



COMMON TERMINOLOGY IN FOSTER CARE: ACRONYM SOUP!



Foster Care Placements

- **Supervised Independent Living Placement (SILP):**
Most common foster care placement for NMDs
- **Transitional Housing Placement for Non-minor Dependents (THP-NMD):** 2nd most common foster care placement for NMDs
- **Transitional Living Setting (TLS):** Short-term or emergency placement for NMDs
- **Family-based settings:** “Resource Family” includes relative caregivers, Foster Family Agency (FFA) homes, county foster homes, Non-related Legal Guardians (NRLG),* and Non-related Extended Family Members (NREFM)*
- **Short-Term Residential Therapeutic Program (STRTP):**
A placement primarily for minors

Non-Minor Dependents (NMDs)

Youth who are ages 18, 19, and 20 who are participating in “Extended Foster Care”

Transitional Housing Program-Plus (THP-Plus)

A housing program for former foster youth ages 18-25

How Youth Exit Foster Care

- **To reunification** (with family of origin): most common type of foster care exit
- **To guardianship without foster care dependency:**
Often through the Kinship Guardianship Assistance Program (Kin-GAP)
- **To adoption:** Often participate in the Adoptions Assistance Program (AAP)

▶ ▲ ▼ ***There are different types of guardianships:** A youth is still considered “in foster care” if they go into a guardianship “with dependency still attached” meaning their foster care case is still open. A youth is considered “not in foster care” if there is “no dependency attached,” meaning their foster care case has been closed.

Note: Guardianships established in probate court are not part of the child welfare system at all. These youth are not in foster care.

RECOMMENDATIONS TO MAKE FOSTER YOUTH FEEL AT EASE WHEN FILING TAXES



Don't ask questions about why they are or were in care.

- Talking about trauma they experienced can be triggering or re-traumatize them.

Listen attentively, reflect with them on what you heard so they can see you want understand.

- “This is what I heard you say, is that correct?”

Deploy the strategies you use to help first-time tax filers:

- Explain terms; don't use jargon.
- Be patient.

If they don't have all of their documents, walk them through what they need for when they return.

- Consider writing down what documents are missing. Here is a handy tax prep checklist for foster youth: <https://jbay.org/resources/tax-prep/>

When they are ready for quality review, walk with them to the QR volunteer and do a “warm handoff.”





Section 2

Overview of the
Foster Youth Tax
Credit

- Claiming rates in 2024
- Eligibility criteria including:
 - Age
 - Income
 - Foster care history requirements



THE FOSTER YOUTH TAX CREDIT (FYTC) IS THE FIRST-EVER TAX CREDIT FOR FOSTER YOUTH



In 2022, JBAY successfully advocated for the creation of a new tax credit for current and former 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



WHEN COMBINED WITH OTHER CREDITS, THE FYTC INCREASES INCOME AND REDUCES POVERTY



The FYTC incentivizes current and former foster youth to file their taxes—many of them are not required to do so because they are below the income threshold. In 2024, the vast majority of FYTC filers received money back:



HOW THE FOSTER YOUTH TAX CREDIT COMPARES TO THE CALEITC AND YCTC



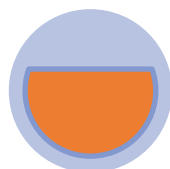
Foster Youth Tax Credit (FYTC)

5,693

claimants

\$6.1 million

claimed



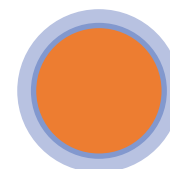
Young Child Tax Credit (YCTC)

411,918

claimants

\$426.6 million

claimed



CA Earned Income Tax Credit (CalEITC)

3,513,775

claimants

\$983.8 million

claimed

Based on 2024 claiming data provided by the FTB



In 2025 the FYTC will provide up to **\$1,154** for youth who:

- ✓ File their 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-\$31,950, SSN/ITIN, and lived in CA at least half the tax year)



WHAT DOES “IN FOSTER CARE ON OR AFTER 13TH BIRTHDAY” MEAN?



It means, a youth must have been in foster care at any time, for even for a day:

- during their 13th year **OR**
- at any time after that age, up to age 21.

What does “in foster care” mean?

The court opened up a dependency case and made an order for out-of-home placement

The FYTC is NOT for youth who exited foster care **before** age 13 and never re-entered foster care.

Note:

Some youth are supervised by the juvenile probation department because they are or were on probation but have court orders for out-of-home placement. These youth are legally considered foster youth for the purposes of claiming this credit.

SCENARIO 1: TANYA



Tanya is **20** years old. She entered foster care when she was **8 years old**. She was placed in a relative foster care placement **with her aunt** and **remained there until age 18**. At that time, she chose to move into a foster care placement for young adults called the **Supervised Independent Living Placement**. She **worked in a café in 2023**.

Is she eligible for the Foster Youth Tax Credit?

Yes, Tanya is eligible for the FYTC. She was in foster care between age 8 and 18 and she has earned income from 2023.



Robert is **23** years old. He was in **foster care at age 10** and then at age **12 was reunified with his mother**. He later became **homeless**, but **never re-entered foster care**. He **earned income in 2023** working in an autobody shop.

Is he eligible for the Foster Youth Tax Credit?

No, Robert is not eligible for the FYTC. He was in foster care between age 10 and 12. So despite having earned income in 2023, he was not in foster care on or after age 13.

SCENARIO 2: LETICIA



Leticia is **21** years old. She entered **foster care at age 11** and remained in foster care **until age 16**, when she exited foster care to enter into a **legal guardianship with her aunt**. Her aunt continued to be her legal guardian **until age 18**. Leticia is now **attending San Jose State University** and works part time in the bookstore.

Is she eligible for the Foster Youth Tax Credit?

Yes, Leticia is eligible for the FYTC. She was in foster care between age 11 and 16 and she has earned income from 2023.

WHAT IF YOU AREN'T SURE IF THE YOUNG PERSON WAS IN FOSTER CARE AT THE RIGHT TIME?



TANYA



ROBERT



LETICIA



Most important rule of thumb: If you or the youth you're assisting are unsure of whether they were in foster care, apply the generosity model, but temper expectations.

Claim the FYTC but let them know that if they end up not being eligible, they will not receive it.



Section 3

Claiming the FYTC in
TaxSlayer

- Location of the Foster Youth Tax Credit in TaxSlayer
- Questions specific to the Foster Youth Tax Credit:
 - Consent to data matching with California Department of Social Services
 - Tax filer's name used in foster care
 - Option to upload documentation related to their foster care status



THE FOSTER YOUTH TAX CREDIT IS PART OF THE CALIFORNIA STATE INCOME TAX RETURN



Certain credits are automatically calculated and carried from your Federal return to your California return. Below are additional credits that are available through the state of California. Please review each section and complete the necessary information as it is applicable to your tax situation.

Child Care Credit

BEGIN

College Access Tax Credit

BEGIN

Other Credits

BEGIN

Renters Credit

BEGIN

Schedule S, Other State Tax Credit

BEGIN

CA Earned Income Credit & Foster Youth Tax Credit (Form 3514)

EDIT

BACK

CLICK HERE



BEGIN THE PROCESS BY CLICKING “CONTINUE” WHEN YOU ARRIVE AT THIS SCREEN IN THE STATE RETURN



California Return

CA Earned Income Credit & Foster Youth Tax Credit (Form 3514)

BACK

CONTINUE

CLICK HERE



Foster Youth Tax Credit

BEGIN

Has IRS previously disallowed your Federal EIC?

☐ Yes

☐ No

Has CA previously disallowed your CA EIC?

☐ Yes

☐ No

THE NEXT SCREEN STATES ELIGIBILITY AND HAS TWO QUESTIONS



CA Foster Youth Tax Credit

BACK

CONTINUE

Foster Youth Tax Credit Eligibility

A qualified taxpayer that is at least 18 years old and younger than 26 years old as of the last day of the taxable year and is one who was in foster care while 13 years of age or older in an AFDC-FC placement, as described in Section 11402 of the Welfare and Institutions Code (AFDC-FC placements include an approved home a relative, a nonrelative extended family member, a licensed family home of a nonrelative, a licensed group home or short-term residential therapeutic placement, the home of a nonrelated legal guardian, a transitional housing placement for minors or a transitional housing placement for nonminor dependents, an out of state group home, a supervised independent living placement), including a tribally approved home, as defined in subdivision (r) of Section 224.1 of the Welfare and Institutions Code, or Approved Relative Caregiver Funding Program eligible placement, as described in Article 6 (commencing with Section 11450) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, by a Title IV-E agency, pursuant to a voluntary placement agreement or a juvenile court order.

Is the Taxpayer eligible for the Foster Youth Tax Credit?

- ☐ Yes
☐ No

Check "Yes"

Taxpayer - Do you give consent and authorize the California Department of Social Services to share limited information about you with the California Franchise Tax Board for purposes of verifying your eligibility for the FYTC?

- ☐ Yes
☐ No

Check "Yes"*

*This authorizes FTB to match data with CDSS.

THE NEXT QUESTION PROVIDES AN OPPORTUNITY FOR THE YOUTH TO ENTER A DIFFERENT NAME



If the Taxpayer's name was different while in foster care than name on tax return (FTB relies on the information entered on the tax return to verify taxpayer eligibility for the credit), enter that information below:

Taxpayer's First Name while in foster care if different than what is on the tax return

Taxpayer's Middle Initial while in foster care if different than what is on the tax return

Taxpayer's Last Name while in foster care if different than what is on the tax return

Fill out name as required to ensure accurate records are referenced.

THE FINAL QUESTION PROVIDES THE OPTION OF UPLOADING PROOF OF FOSTER CARE STATUS



If you are providing consent above, you may attach to this return a PDF letter issued by a county or state agency confirming each individual who claims the FYTC status as a foster youth at or after age 13, or other proof of status as a condition of receiving the FYTC. Below are samples of other proof/supporting documentation that may be provided:

- CDSS Foster Care Verification Form
- County-issued Letter

BEGIN

If consent and/or the proof you submit does not result in satisfactory proof of your eligibility, you may be contacted to provide additional proof, which may delay a decision on your eligibility.

To request information needed to verify your status as a foster youth at or after age 13, contact:

- California Department of Social Services (CDSS)
- Telephone: 916.651.8848
Email: piar@dss.ca.gov
- Mail: 744 P Street, Sacramento, CA 95814
- Out-of-State Inquiries: cdss.osi@dss.ca.gov

A decision on your eligibility for the FYTC may be delayed or denied if your eligibility is not confirmed by CDSS or you do not provide satisfactory proof of your eligibility to the FTB. For that reason, we recommend that you check the applicable box to provide your consent and/or attach proof of your status as a foster youth at or after age 13 to your tax return.

**This is
recommended
but NOT
required.**





Section 4

Special topics
related to the FYTC
and Foster Youth

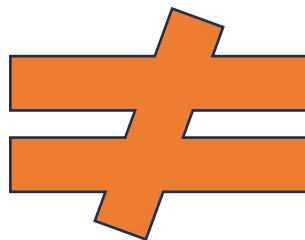
- How to treat foster care payments when filing taxes
- Issue of other individuals claiming a foster youth on their taxes
- Other state and federal tax credits that foster youth commonly are eligible to receive
- Amendments
- Prior year taxes



THE MOST IMPORTANT THING TO KNOW IS THAT FOSTER CARE PAYMENTS ARE NOT INCOME AND NOT TAXABLE



Foster Care
Payment



Taxable
Income

MOST YOUTH RECEIVE FOSTER CARE PAYMENTS BY LIVING IN 1 OF 2 FOSTER CARE SETTINGS



44%

Supervised
Independent Living
Placement (SILP)

Foster youth lives in self-identified setting that passes health and safety inspection.

Foster care rate of \$1,258 paid directly to youth

29%

Transitional Housing
Placement for Non-
Minor Dependents
(THP-NMD)

Foster youth lives in housing usually leased by housing provider.

Foster care rate paid to housing provider.

Youth is paid a stipend from the provider, which varies by provider, often \$700 to \$1000 per month.

**Neither the foster care rate or the stipend are considered taxable income.



YOUTH WHO HAVE EXITED FOSTER CARE MAY ALSO HAVE NON-TAXABLE INCOME



After youth exit foster care, they remain eligible for certain publicly-funded housing or support programs.

Example: One common housing program is called the Transitional Housing Program-Plus (THP-Plus).

Youth also sometimes continue to participate in the county's Independent Living Program (ILP), which offers workshops.

Any monthly housing program stipend or money received for attending workshops is NOT taxable.

FOSTER YOUTH WHO LIVE IN OTHER SETTINGS MAY NOT BE ELIGIBLE BECAUSE ANOTHER PERSON CLAIMS THEM



It is important to ask the youth if another person may claim them on their taxes.

It may require a call to the person if the youth is uncertain.



27%

Resource Family
Placement
(Relative or non-
relative)

Foster youth lives in a family setting.

Foster care rate paid to resource family, who will likely claim the young person on their taxes.

FOSTER YOUTH SOMETIMES EXPERIENCE FRAUDULENT CLAIMING BY FORMER CAREGIVERS



Requirement	Qualifying “Child”	Qualifying “Relative”
	Son, daughter, stepchild, eligible foster child, sibling, half-sibling, stepsibling, adopted child or the child of one of the above listed individuals.	Someone who meets the requirements below and is <u>not</u> a “qualifying child.”
Age	As of the end of the tax year, the dependent must be under 19 or under 24 if a full-time student and must be younger than the taxpayer(s) claiming them. Dependent may be any age if permanently and totally disabled.	Can be any age.
Financial Support & Income	Taxpayer(s) claiming must have provided more than half of the financial support of the dependent during the tax year.	Taxpayer(s) claiming must have provided more than half of the financial support of the dependent during the tax year. The dependent’s gross income must be less than \$4,700 for the tax year.
Residency	Dependent must have lived with the taxpayer(s) claiming them for more than half the tax year.	Dependent must have lived with the taxpayer(s) as a member of the household for all of the tax year.

See IRS guidance here for more information: <https://www.irs.gov/credits-deductions/individuals/dependents>

YOUTH WHO CLAIM THE FYTC ARE COMMONLY ELIGIBLE FOR OTHER FEDERAL CREDITS....



- ✓ **Federal Earned Income Tax Credit**
- ✓ **Federal Child & Dependent Care Credit:**
- ✓ **Federal Child Tax Credit**
- ✓ **Federal Education Credits**





- ✓ California Earned Income Tax Credit
- ✓ California Young Child Tax Credit
- ✓ California Child and Dependent Care Expenses Credit
- ✓ California Renter's Credit





In 2024, **only 8%** of Foster Youth Tax Credit claims were **made by tax filers who used a paid preparer**, as compared to 56% of claims for the state EITC.

Youth who used a paid preparer have **likely missed the Foster Youth Tax Credit**.

Youth who **self-filed may also have missed it**.

Ask youth how they filed previously, and whether they received the Foster Youth Tax Credit. They may need an amendment for previous year(s).

YOUTH MAY NEED HELP FILING FOR PREVIOUS TAX YEAR(S) TOO



Current and former foster youth **commonly earn below the amount legally required to file** and therefore do not file.

In 2023, 40% of the youth who filed their taxes as part of the Foster Youth Tax Project **filed at least one year** of prior year taxes.

These youth had a 64% higher tax return.





Section 5

Helping youth
receive their refund

- Confirming that the youth has a safe way to receive their return
- Identity theft/tax fraud is more common among foster youth
- Setting up a payment plan if they have a tax liability
- Informing the young person how to check on the status of their return



CONFIRM THAT THE YOUTH HAS A SAFE PLACE TO RECEIVE THEIR TAX REFUND IF IT IS A CHECK



Foster youth experience a **high level of mobility**.

They often **do not have stable housing or a consistent mailing address** to have a paper check mailed to them.

They may **not have a bank account** for direct deposit.

This last practical step is critical to foster youth receiving their refund.



SOME YOUTH WILL REQUIRE HELP WITH THEIR IDENTITY PROTECTION PIN



Foster youth have a **high rate of identity theft.**

We recommend **establishing an Identity Protection Pin (IP PIN)**. It is also the way they can check their federal refund status.

If they lose their IP PIN, help youth re-locate it at <https://www.id.me/>



SOME YOUTH WHO FILE MAY NEED HELP ESTABLISHING A PAYMENT PLAN



In 2024, **4%** of foster youth who filed as part of the Foster Youth Tax Project **had a tax liability**.

On **average**, they owed **\$966**.

These youth will likely require assistance developing a payment plan with the IRS.





Federal:

<https://www.irs.gov/wheres-my-refund>

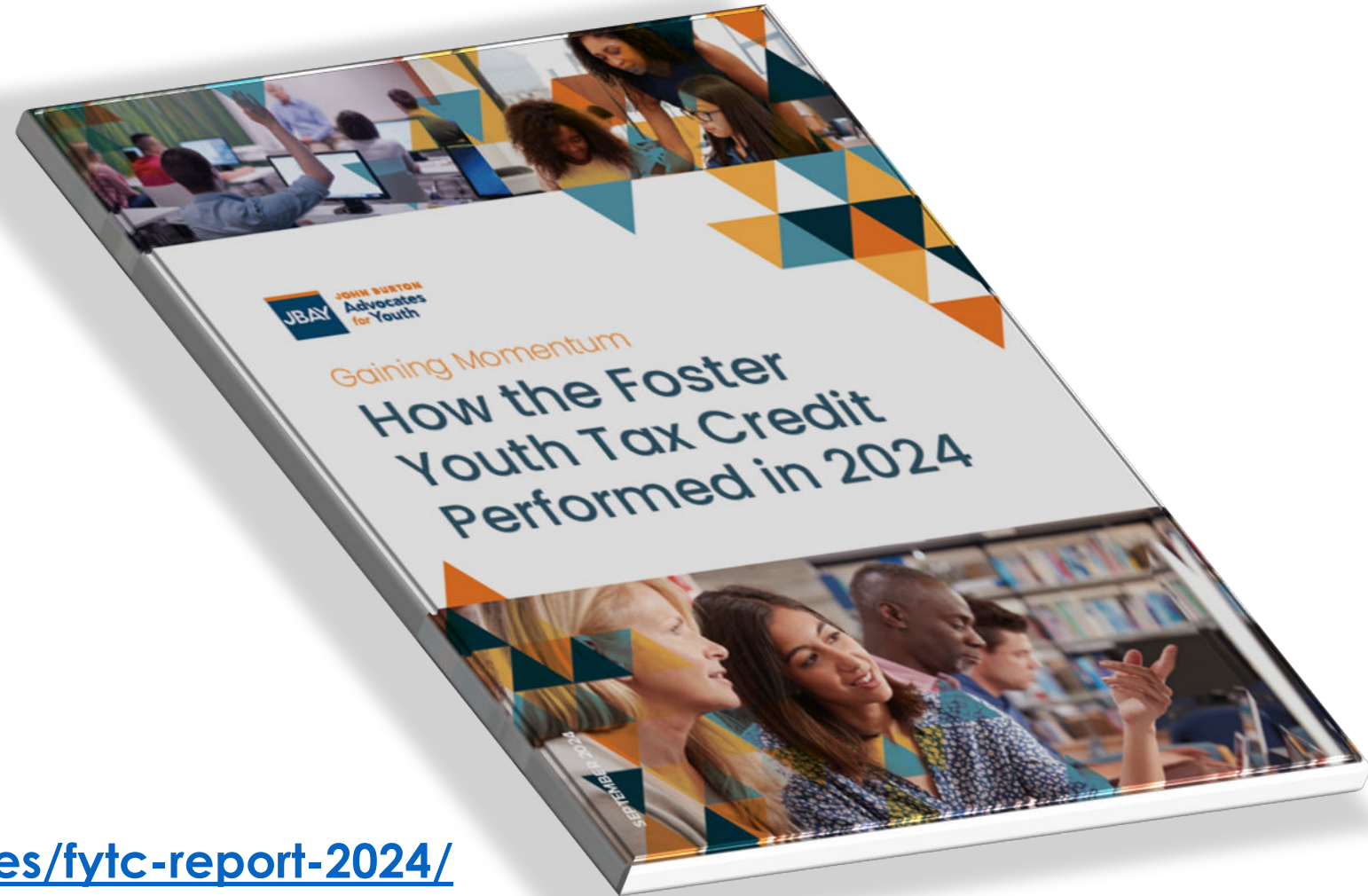
State:

<https://www.ftb.ca.gov/refund/index.asp>

**It is helpful to also remind youth to keep their tax return in a safe place they will remember and to keep 5 years of tax returns.*



Learn More about the Foster Youth Tax Credit



View the report here:

<https://jbay.org/resources/fytc-report-2024/>

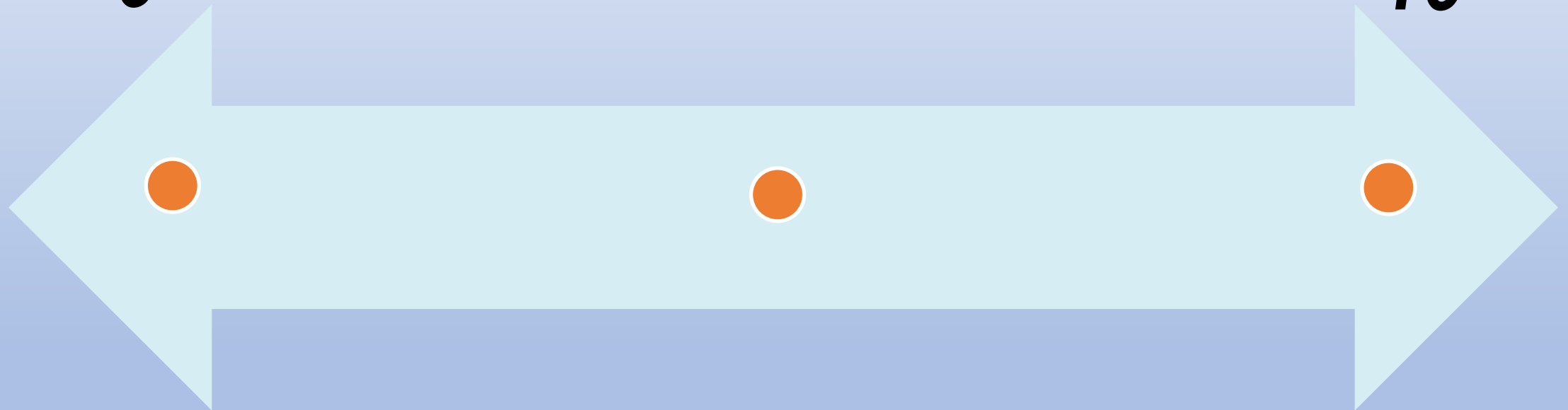
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On a scale from 0-10, how familiar are you with assisting foster youth clients and claiming the Foster Youth Tax Credit?

Questions?

To contact us at a later date:

Simone Tureck Lee - simone@jbay.org

Carla Macias - FYtaxcredit@jbay.org

