JOHN BURTON Advocates for Youth

SENATE BILL 624 (CABALLERO)
INCREASING ACCESS TO THE CALIFORNIA FOSTER YOUTH TAX CREDIT

SUMMARY

The California Foster Youth Tax Credit (FYTC) is currently reaching an estimated 16% of eligible youth. Given the tremendous benefits of this new tax credit and the high vulnerability for homelessness among youth from foster care, education and outreach at the local level is critical to increase uptake. This bill would require county child welfare agencies and juvenile probation departments to mail information about the FYTC and tax filing to all nonminor foster youth ("nonminor dependents") and would require the California Department of Social Services (CDSS) to provide state guidance to counties on FYTC implementation best practices.

BACKGROUND

The FYTC was established in 2022, championed by Governor Gavin Newsom, Senator Anna Caballero, and former State Controller Betty Yee. The FYTC, a program of the California Earned Income Tax Credit (CalEITC), is a refundable tax credit for youth who are between ages 18 and 25, were in foster care on or after their 13th birthday, and are eligible for the CalEITC. In 2025, eligible youth receive up to $1,154 from the FYTC when they file their state taxes. During the 2024 tax season, the FYTC provided $6.1 million to nearly 5,700 youth, a 16% increase from 2023, the first year it was available. As of 2024, the FYTC reached 16% of the estimated 36,275 eligible youth.

While the FYTC alone is impactful in the monetary benefit it provides current and former foster youth, the power of the FYTC as a poverty reduction tool is borne out in the incentive it provides to file taxes. When youth file, they also benefit from other state and federal tax credits. In 2024, FYTC filers received an average of $1,370 in their total tax return for single filers and $5,265 for head of household (parenting) filers. This increased their Adjusted Gross Income (AGI) by 8% for single filers and a full 57% for head of household filers.

California stakeholders have been actively working to promote tax filing and increase uptake of the FYTC. The most effective outreach strategy to date has been a printed flier mailed by county child welfare agencies to all nonminor dependents. This approach was piloted in 2024 in Alameda, Los Angeles, San Francisco and Santa Clara Counties. Three of these counties saw the largest increase in youth receiving the FYTC within their respective county size categories from 2023 to 2024.

These findings align with research showing that the most effective and only statistically significant method to boost tax credit uptake is a letter from the Internal Revenue Service (IRS). While county child welfare agencies are not the IRS or the Franchise Tax Board (FTB), they are an official government entity familiar to youth in foster care. As the only entity with access to these youths' mailing addresses and the party responsible for mailing checks to foster youth, it is likely that youth would open mail from them.

THIS BILL

Senate Bill 624 introduced by Senator Anna Caballero would make the following policy changes:

(1) **Require county child welfare agencies and juvenile probation departments to mail annual information about the FYTC and tax filing to every nonminor dependent in their care.** This would reach youth when they first become age-eligible for the FYTC, helping them become accustomed to filing taxes and claiming the FYTC, which will have lasting effects through their early 20s and beyond.

(2) **Require CDSS to issue guidance on FYTC implementation best practices for county child welfare agencies and juvenile probation departments at least bi-annually.** This would encourage agencies to partner with local free tax assistance sites, incorporate tax education into their Independent Living Program curriculum, and engage in a range of outreach strategies in partnership with community-based providers.

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