

STATE OF CALIFORNIA
Finance Letter - Cover Sheet
 DF-46 (REV 08/15)

| | | | |
|--|-----------------------|-----------------------------------|-------------------------------|
| Fiscal Year 2016-17 | Business Unit 7730 | Department Franchise Tax Board | Priority No. 2 |
| Budget Request Name 7730-002-BCP-BR-2016-MR | | Program 6280 | Subprogram 6280010/6280019 |

Budget Request Description
 California Earned Income Tax Credit – Education and Outreach

Budget Request Summary

The Franchise Tax Board (FTB) requests \$2 million for education and outreach efforts related to the California Earned Income Tax Credit (EITC) that was implemented in the 2015 tax year.

| | | |
|---|--|------|
| Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Code Section(s) to be Added/Amended/Repealed | |
| Does this FL contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO | Date |
| For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date: | | |

Pending Board Approval

If proposal affects another department, does other department concur in proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

| | | | |
|---|----------------|-----------------------------------|----------------|
| Prepared By <i>J. Thornburg</i> | Date 5.9.16 | Reviewed By <i>[Signature]</i> | Date 5.9.16 |
| Department Director <i>[Signature]</i> | Date 5.9.16 | Agency Secretary | Date |

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

| | |
|----------------------------|--|
| PPBA <i>[Signature]</i> | Date submitted to the Legislature 5/13/16 |
|----------------------------|--|

Analysis of Problem

A. Budget Request Summary

The Franchise Tax Board (FTB) requests \$2 million for education and outreach efforts related to the California Earned Income Tax Credit (EITC) that was implemented in the 2015 tax year.

B. Background/History

California implemented an EITC program in 2015. The program is designed to help the poorest working families in California. The program provides a targeted, refundable credit for wage income (excluding self-employment) and focuses on the lowest-income Californians—households with incomes less than \$6,580 if there are no dependents or \$13,870 if there are three or more dependents. The state program complements the existing federal EITC and matches 85 percent of the federal credits up to half of the federal phase-in range and then tapers off relative to the maximum wage amounts.

FTB collaborated with a wide breadth of government and non-government agencies to develop a detailed communication plan to reach California taxpayers who might qualify for both the federal and state credits.

Collaborative efforts include the following:

Demographic information:

An interactive heat map of California identifying the target audience and Voluntary Income Tax Assistance (VITA) site locations. The information is available in several views including zip code and county.

Web Support:

- CalEITC4me.org – This non-government website developed and supported by Dewey Square is the main web marketing tool deployed for outreach. This site includes:
 - General information about the federal and state EITC credits.
 - Interactive credit calculator tool that provides the state and federal benefit amounts after providing income and dependent information.
 - Free Tax Assistance Tool that locates VITA sites by zip code, provides hours of operation, and contact information for tax preparation appointments.
- ftb.ca.gov – FTB updated the EITC webpage to include information for the new state credit. FTB deployed a “partner portal” for entities who want to support EITC outreach efforts. This portal includes marketing materials that can be downloaded and used for different purposes.
- taxes.ca.gov – This website includes a short description of the federal and state credits and provides a link to CalEITC4me.org in a prominent location.

Direct Mail Campaign:

FTB conducted a direct mailer campaign to California taxpayers who did not have a state filing requirement but may qualify for the new California EITC credit. The mailer included information on the federal credit.

FTB Education and Outreach Efforts:

FTB has conducted over 30 educational outreach events this past year. These events reach taxpayers, tax professionals, legislative staff, and other groups to discuss the new California EITC.

FTB will continue to provide EITC information at events, including small business fairs should self employment income be included, along with any EITC marketing materials.

Analysis of Problem

Marketing Materials:

Working in collaboration with business partners, FTB is using the following logo for the EITC education and outreach campaign:



FTB is using the logo and branding on the following marketing material:

| | |
|--|---|
| Posters | Ads (radio/print/outdoor) in target regions |
| Postcards | Press Releases |
| Fact Sheet for Media | Brochures |
| Videos – Marketing and “How To” | Social Media – Facebook, Twitter, & YouTube |
| Educational Webinars for Outreach Partners | VITA Information Brochure |

Communication Plan:

Dewey Square gathered information from collaboration partners to lay into a communication plan by location, date, etc. This plan helps identify gaps in VITA support and allows us to more effectively fill those gaps.

C. State Level Considerations

Studies show many California families live on income levels below the federal poverty level. In the past two years, the recovering economy has allowed the state to take additional steps to assist the state’s neediest residents. The EITC program further enhances those benefits to help poverty stricken residents.

This proposal supports FTB’s mission to fairly and effectively administer the state’s tax system and the strategic plan goals for Taxpayer Centric Service, Effective Enforcement, a Strong Organization and Operational Excellence.

D. Justification

Despite these extensive education and outreach efforts, it appears that not all eligible taxpayers were aware of the EITC program. To enhance awareness FTB intends to expand these outreach efforts with our partners to reach a higher percentage of qualifying residents to put money in their pockets.

These efforts include continuing to partner with non-profits, community-based organizations, and other state and local government agencies, to perform:

- Geographic Outreach
 - Community partner support performing outreach to hard to reach target audiences (such as non-English-speakers)

Analysis of Problem

- Mailers
- Ad Buy Firm – TV, radio, print, community papers and public space
- Publications – posters and brochures to mail to community partners
- VITA Mini Summit Events and Mobile VITA Sites (buses)

E. Outcomes and Accountability Analysis of All Feasible Alternatives

It is the responsibility of FTB to implement California's EITC program. The education and outreach activities oversight is the responsibility of the Administrative Services Division Chief. The fiscal oversight is the responsibility of the Chief Financial Officer.

F. Analysis of All Alternatives

Alternative 1 – Approve \$2 million in 2016-17 for EITC education and outreach efforts.

The funding will allow FTB the ability to provide additional education and outreach to the California residents who did not take advantage or were unaware of the 2015 EITC program.

Alternative 2 – Do not approve \$2 million in 2016-17 for EITC education and outreach efforts.

Failure to have the funding in place will result in the inability to increase outreach to the poorest working families in California who would benefit from this credit.

G. Implementation Plan

N/A

H. Supplemental Information

Consultant and Professional Services - various education and outreach activities.

I. Recommendation

Alternative 1 is recommended. FTB will be able to reach out to more residents who qualify for and will benefit from this credit.

BCP Fiscal Detail Sheet

BCP Title: Earned Income Tax Credit Outreach

DP Name: 7730-400-BCP-DP-2016-MR

Budget Request Summary

| | FY16 | | | | | |
|--|------------|----------------|------------|------------|------------|------------|
| | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
| Operating Expenses and Equipment | | | | | | |
| 5340 - Consulting and Professional Services - External | 0 | 2,000 | 0 | 0 | 0 | 0 |
| Total Operating Expenses and Equipment | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$0 |
| Total Budget Request | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$0 |

Fund Summary

| | | | | | | |
|--|------------|----------------|------------|------------|------------|------------|
| Fund Source - State Operations | | | | | | |
| 0001 - General Fund | 0 | 2,000 | 0 | 0 | 0 | 0 |
| Total State Operations Expenditures | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$0 |
| Total All Funds | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$0 |

Program Summary

| | | | | | | |
|------------------------------------|------------|----------------|------------|------------|------------|------------|
| Program Funding | | | | | | |
| 6280025 - Earned Income Tax Credit | 0 | 2,000 | 0 | 0 | 0 | 0 |
| Total All Programs | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$0 |