



AB 1402 (McKinnor) Fresh Start Grants FACT SHEET

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ISSUE

The California Earned Income Tax Credit (CalEITC), California Young Child Tax Credit (YCTC), and Foster Youth Tax Credit (FYTC) programs were designed to provide critical financial assistance to low-income households in California. After spending millions of dollars on public outreach over the past decade, these programs continue to have low participation rates leaving millions of low income families in a harmful and unnecessary cycle of poverty.

A decade of data has shown that tax policy is not an effective way to eliminate poverty. Hundreds of thousands of individuals and families face significant barriers to accessing these tax benefits due to complex application procedures, language barriers and lack of knowledge about tax law. These challenges, coupled with the rising cost of living, demands a new approach to end childhood poverty and support some of the most vulnerable residents in California.

SOLUTION

AB 1402 would repurpose the CalEITC, YCTC, and FYTC programs into a streamlined, direct financial assistance program known as the California Fresh Start Grant (FSG). Instead of receiving benefits through the complex tax credit system, eligible households applying for CalFresh, MediCal or other public benefits will receive a one-time Fresh Start Grant (FSG) equivalent to the amounts previously available under CalEITC, YCTC, and FYTC. Tax filers will still report receiving a FSG on their income taxes, but the grant will not impact their taxable income.

FSG benefits would be renewed annually based on eligibility and will provide low income households with direct financial support to help them avoid the risk of homelessness and provide for their household's basic needs. This measure is a direct response to the public's demand to address affordability in the state and make more efficient and effective uses of public resources. Linking FSG eligibility with a person or family's eligibility for CalFresh or other public benefits will reduce administrative costs and increase the number of families that are able to access one of California's most important, yet underutilized anti-poverty programs.

SUPPORT
