



## AB 397 - CALIFORNIA CHILD TAX CREDIT

### Fact Sheet

#### Bill Summary

[AB 397](#) will establish the California Child Tax Credit (CalCTC), providing a crucial financial boost to families in need by extending the California Young Child Tax Credit (YCTC) to all families eligible for the California Earned Income Tax Credit (CalEITC).

#### Existing Law

Establishes the CalEITC to reduce poverty among working families and individuals by distributing credits by income and number of dependents. (Rev. and Tax Code 19850)

Establishes the YCTC to provide up to \$1,154 per year to families with qualifying children (ages 0-5) who earn \$31,950 or less annually. (Rev. and Tax Code § 17052 & 17052.1)

#### Background

The federal Child Tax Credit (CTC) assists low- and moderate-income working families in supporting children aged 0-17. Under the American Rescue Plan, the CTC was temporarily increased from \$2,000 to \$3,600 per child (ages 0-5) and \$3,000 per child (ages 6-17), with half the credit provided through advance monthly payments. However, the expansion expired on December 15, 2021, placing millions of families at risk of falling deeper into poverty.

At the state level, the YCTC provides up to \$1,154 per household earning \$31,950 or less annually, but only for families with children aged five or younger. As a result, 62% of CalEITC-eligible families are excluded from receiving YCTC once their child turns six, despite continued child-related expenses.

The YCTC is one of the most effective programs in reducing child poverty by increasing a family's disposable income. Research indicates that nearly

[1.3 million people](#) — 643,000 of them children — are lifted out of poverty each year through similar tax credits. With the help of other existing child tax credits, research has shown the impact of this initiative is substantial, and nearly— 643,000 children — are lifted out of poverty each year.

#### Need for AB 397

Current law limits YCTC eligibility to families with children under age six, despite ongoing child-related costs. Families living below the poverty line rely on refundable tax credits to cover essential expenses such as food, housing, and transportation. Expanding eligibility for these tax credits also encourages workforce participation and reduces long-term dependence on social safety net programs.

Under **AB 397**, expansions over the next several years will phase in new definitions of a “qualifying child,” allowing more families to receive this credit:

- **2025:** Families with children younger than 10 years old will qualify
- **2026:** families with children younger than 13 years old will qualify
- **2027:** families with children younger than 16 years old will qualify
- **2028:** families with children younger than 18 years old, or 19-23 if they are attending college will qualify

By expanding the program, AB 397 will make 500,000 additional families and over one million children eligible for CalCTC, leading to [improved](#) educational achievement, higher educational attainment, increased employment opportunities, and better health outcomes.

## Support

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Prosper California Coalition (Sponsor)

Golden State Opportunity

GRACE/End Child Poverty California

United Ways of California