



April 26, 2022

The Honorable Toni Atkins
President Pro Tempore, California State Senate

The Honorable Anthony Rendon
Speaker, California State Assembly

The Honorable Nancy Skinner
Chair, Senate Budget & Fiscal Review
Committee

The Honorable Phil Ting
Chair, Assembly Committee on Budget

RE: CalEITC Coalition Budget & Policy Priorities to Improve Tax Credits and Increase Equitable Access to the Tax System

Dear Legislative and Budget Committee Leaders,

On behalf of California's 4.2 million small business owners, Small Business Majority writes in support of AB 2589, which would make the California Earned Income Tax Credit (CalEITC) and the Young Child Tax Credit (YCTC) more impactful and overall improve access to the California tax system for low to moderate income small business owners and employees.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

CalEITC is a lifeline for many low-income small business owners and self-employed individuals as they navigate an ever-changing economic landscape. The median income for self-employed individuals at their own unincorporated firm is just under \$29,000, qualifying the for CalEITC.

With the extension of the federal Child Tax Credit ending, this budget replacement proposal will allow for a tax credit of \$2,000-per-child tax refund to each family who claimed the CalEITC in Tax Year 2021. Additionally, establishing a minimum credit of at least \$255 would provide a more meaningful credit to families and ensure entrepreneurs and small business employees without children receive a more equitable credit. The budget request will also invest in the free tax prep services so low-income taxpayers don't give up hundreds of dollars to for-profit tax preparers.

To create a more equitable playing field for low-income small business owners and employees, Small Business Majority strongly supports the expansion of CalEITC via AB 2589.

Sincerely,

Bianca Blomquist
California Policy Director
Small Business Majority