ASSEMBLYWOMAN
Autumn Burke
DISTRICT 62

FACT SHEET

AB 24 – Targeted Child Tax Credit

SUMMARY

Assembly Bill 24 establishes the Targeted Child Tax Credit to provide a fundamental, holistic level of support for families living in poverty with children.

BACKGROUND

California's existing social safety net programs have shown substantiated, causal impacts to meeting the basic needs of struggling families and promoting self-sufficiency.

Nutrition programs, like CalFresh, address food insecurity which helps mitigate childhood developmental delays[1] and improves a child's ability to focus and learn at school[2]. Medi-Cal is vital in preventing negative outcomes resulting from a lack of resources associated with poverty, like high infant mortality rates, low immunization rates and other physical and mental health problems that extend into adulthood[3]. Programs like CalWORKs, the CalEITC and SSI give the means to purchase basic needs while also encouraging work to offer a pathway out of poverty and build the necessary capabilities of parents to overcome adversity. Without this suite of programs that contribute to our state's social safety net, the poverty rate in California would jump from an estimated 21.8 percent to 34.4 percent, further exacerbating the myriad of negative effects associated with poverty.

Despite the success of our state's social safety net and California's position as the fifth largest economy in the world, California suffers from the highest rates of childhood poverty in the nation.

According to the U.S. Census Bureau's Supplemental Poverty Measure, which accounts for the high cost-of-living in the state 1.9 million, or one-in-five, children live in poverty. Of those, 450,000 children live in deep poverty, defined as households with incomes under 50% of the federal poverty level, an annual income of $12,550 for a family of four.

ASSEMBLY BILL 24

AB 24 establishes the Targeted Child Tax Credit (TCTC) to further support families and children living in deep poverty by accounting for the basic necessities of a family when issuing a credit.

The TCTC issues credits based on income thresholds calculated by subtracting family expenses, like out-of-pocket medical, childcare and work-related commuting expenses with rental prices from the surrounding area, from gross resources, like wages and support through social safety net programs, to get a better picture of a family's actual, on-hand resources.

By taking greater account of the real cost-of-living that California families face, the TCTC provides resources which more accurately incorporate the support needed for families living in poverty.

SUPPORT

GRACE (Co-sponsor)
Western Center on Law and Poverty (Co-sponsor)

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[1] Chole N. East, "The Effect of Food Stamps on Children's Health: Evidence from Immigrants' Changing Eligibility," *The University of Denver,* 2016.
[2] First Focus and Child Poverty Action Group, "Our Kids, Our Future," 2018.
[3] Ibid.

ASSEMBLYWOMAN
Autumn Burke
DISTRICT 62

FACT SHEET

AB 147 – The Wayfair Implementation and Small Business Relief Act of 2019

SUMMARY

AB 147 establishes a comprehensive set of post-*Wayfair* use tax collection rules to promote marketplace fairness and balance the needs of consumers, small businesses, and local governments.

BACKGROUND

Since 1933, the state has imposed a sales tax on California retailers selling tangible personal property (TPP). In 1935, California adopted a complementary "use tax" for TPP purchased out-of-state but subsequently used in California. The use tax was designed to protect California merchants who would otherwise be at a competitive disadvantage. Unlike the sales tax, the use tax is imposed on the *purchaser* and not the retailer. Nevertheless, the most practical way for a state to enforce its use tax is to have remote retailers collect the tax at the time of sale.

In 1992, the United States Supreme Court held that a retailer must have a "physical presence" in a state before that state can require the retailer to collect its use tax. This "physical presence" standard greatly complicated California's efforts to collect its use tax, especially in the inherently "non-physical" e-commerce sector.

All this changed on June 21, 2018, with the United States Supreme Court's decision in *South Dakota v. Wayfair, Inc.* Specifically, *Wayfair* reset the stage by explicitly overturning the outdated "physical presence" test.

Specifically, the *Wayfair* Court upheld a South Dakota law that requires remote sellers without a physical presence in the state to collect tax on all sales into South Dakota if the remote seller exceeds a specified level of economic activity in the state. Specifically, out-of-state retailers must collect tax if they meet one of two criteria: (1) the remote seller's gross revenue from sales into South Dakota exceeds $100,000; or (2) the remote seller has sold goods or services in 200 or more separate transactions in the state.

The *Wayfair* decision has already impacted California because existing state law requires California to impose a use tax collection obligation on remote retailers to the maximum extent permitted by federal law. (Revenue and Taxation Code Section 6203(c).) Based on this existing "long arm" statute, the California Department of Tax and Fee Administration (CDTFA) has announced new post-*Wayfair* use tax collection requirements for out-of-state retailers. Specifically, the CDTFA has announced that beginning April 1, 2019, a retailer located outside of California must collect use tax if, during the preceding or current calendar year: (1) the retailer's sales into California exceed $100,000, or (2) the retailer made sales into California in 200 or more separate transactions.

ASSEMBLY BILL 147

AB 147 establishes a comprehensive and balanced set of post-*Wayfair* tax collection rules that make sense for consumers, small businesses, and the state. It does so in three ways. First, AB 147 provides relief to small businesses by increasing the "economic nexus" threshold from $100,000 to $500,000, and eliminating the "200 or more separate transactions" threshold entirely. Second, AB 147 recognizes the realities of today's e-commerce economy by requiring online marketplaces to collect use tax on behalf of their third-party retailers. Finally, AB 147 promotes clarity and simplicity by requiring retailers to collect and remit local district taxes once they sell over $500,000 in California, eliminating the burdensome requirement to track sales in each district.

SUPPORT

Senator Mike McGuire, Principal Coauthor
Treasurer-elect Fiona Ma, Sponsor

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