



ASSEMBLY MEMBER

MATT HANEY

REPRESENTING ASSEMBLY DISTRICT 17



AB 441 – Advance Monthly Payments of State Tax Credits

SUMMARY

This bill would authorize the Franchise Tax Board (FTB) to distribute annual tax credit payments of the CalEITC, Young Child Tax Credit, and Foster Youth Credit in advanced monthly installments.

BACKGROUND

Many low-income households experience income volatility—destabilizing swings in income from month to month. Research indicates that income volatility makes it harder for families to meet basic needs and [disproportionately affects](#) communities of color, especially those living in low-income households.

This bill would modernize and streamline the tax filing system for low-income Californians—who are most likely to encounter barriers to accessing valuable tax credits—and help ensure that families are able to get financial support in real time to keep up with the rising cost of living.

EXISTING LAW

State law enables the Franchise Tax Board to distribute tax credit payments in an annual lump sum, usually in tax refunds during tax filing season.

PROBLEM

Approximately 30 percent of families struggle with [incomes that vary substantially from month to month](#). This income volatility threatens housing stability: many people experiencing homelessness point to an unexpected economic crisis they couldn't weather (like a medical bill or job loss), as the reason for losing their housing. Research from

homelessness prevention programs shows that a [few hundred dollars a month](#) can make the difference between staying housed or being evicted. Income shocks also make it harder for families to pay bills and keep food on the table, forcing many to [turn to](#) high-risk financial services like payday loans to get by.

SOLUTION

Research shows that advanced monthly payments of tax credits alleviate economic hardships all year long by providing cash each month. This [helps families](#) pay the rent, buy groceries, repair their vehicle, or meet whatever need they are experiencing. Monthly payments are also better at fighting poverty year-round: a recent analysis of the federal Child Tax Credit and Earned Income Tax Credit shows that paying each credit monthly would cut [poverty by one-third more](#) than the same amount of money paid in an annual refund at tax time, as the IRS does currently.

Under this bill, disbursement of the specified state tax credits would be direct-deposited to taxpayers who have bank account information on file with FTB. Checks or debit cards would be sent to those without that information on file. This bill would:

- Provide monthly advance payments for all households who qualify for \$1,000 or more from the combination of the CalEITC, Young Child Tax Credit, and Foster Youth Credit.
- Allow taxpayers to quickly update filing status, income, or other eligible information to allow FTB to recalculate their payments.



SUPPORT

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Economic Security Project Action

FOR MORE INFORMATION

Julian Neo Sanchez (he/him) | *Assembly Fellow*
Office of Assemblymember Matt Haney
(916) 319-2017
JulianNeo.Sanchez@asm.ca.gov