

CA Earned Income Tax Credit Modified

- July 25, 2017
- [CCHTaxGroup](#)
- [no comments](#)

For taxable years beginning on or after January 1, 2017, the California earned income tax credit is modified to include net earnings from self-employment in the definition of “earned income,” provide substitute tables for the credit and phaseout percentages and the earned income and phaseout amounts, and authorize the Franchise Tax Board (FTB) to prescribe regulations.

Definition of “Earned Income”

The definition of “earned income” is modified to include the amount of a taxpayer’s net earnings from self-employment for the taxable year, which is consistent with federal law.

Substitute Tables

For taxable years beginning on or after January 1, 2017, if the amount of earned income tax credit otherwise computed multiplied by 0.85 is \$100 or less for an eligible individual with no qualifying children or \$250 or less for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount specified below, then in lieu of using the regular table, the credit and phaseout percentages will be determined, respectively, as follows:

- No qualifying children: 1.88%/1.03%
- 1 qualifying child: 2.65%/1.94%
- 2 qualifying children: 1.82%/2.92%
- 3 or more qualifying children: 1.81%/2.94%

If the amount of credit otherwise computed multiplied by 0.85 is \$100 or less for an eligible individual with no qualifying children or \$250 or less for an eligible individual with one or more qualifying children, then in lieu of using the regular table, the earned income and phaseout amounts will be determined, respectively, as follows:

- No qualifying children: \$5,320/\$5,320
- 1 qualifying child: \$9,434/\$9,434
- 2 qualifying children: \$13,723/\$13,723
- 3 or more qualifying children: \$13,805/\$13,805

For taxable years beginning on or after January 1, 2018, the substitute tables will be adjusted annually in the same manner that the income tax brackets are adjusted.

Regulations

The FTB is authorized to prescribe regulations necessary or appropriate to carry out the purposes of the credit provisions, including regulations to prevent improper claims from being filed or improper payments from being made with respect to net earnings from self-employment. The regulations may be adopted as emergency regulations, and these emergency regulations may be adopted without review and approval by the Office of Administrative Law. The regulations will take effect immediately and remain in effect until revised or repealed by the FTB.

Ch. 96 (S.B. 106), Laws 2017, applicable as noted