Opinion: Tax break for California's poor?

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The Legislature's majority Democrats have claimed poverty as this year's spotlight issue – with good reason.

By the Census Bureau's alternative poverty measure, California has by far the nation's highest rate with nearly a quarter of its 39 million residents impoverished.

The high poverty rate is the product of two powerful economic trends – stagnation, or even decline, in the incomes of those on the lower rungs of the economic ladder and high costs for necessities, especially housing.

UC Berkeley's Center for Labor Research and Education reported recently that a third of California's workers are "low-wage" – i.e., earning $13.63 an hour or less.

The state's steep and rising housing costs are largely caused by demand exceeding supply, but housing is not California's only high living cost. Our gasoline prices are very high – thanks largely to state taxes, fees and unique regulations – and our electric utility rates are among the nation's highest.

Those are the simple, if harsh, facts of life in what used to be the Golden State. It's a great place to live if you can afford it, but it's a daily struggle if you can't – and too many can't.

Some, including recent college graduates and retirees, simply pack up and move to more affordable venues, which explains why California loses more people to other states each year than it gains.

As Democrats focus on poverty, they tout approaches ranging from raising welfare grants to boosting the minimum wage – all of which would impose new costs on employers or the state treasury.

The newest, and potentially costliest, is an earned-income tax credit, which would supplement the federal EITC that about 3 million California "tax-filers" (both individuals and families) already claim.

Poor Californians receive more than $7 billion a year from Uncle Sam as either credits against income taxes, or as checks even if they owe no taxes, even with a relatively low utilization rate.

While they vary in details, the three state EITC bills, two by Democrats and one by a Republican, would have the state supplement the federal credit by a percentage. That's how it's done in 26 other states.

It is, advocates say, a way of not only improving incomes of the working poor, but encouraging those not working and/or collecting welfare to take even low-wage jobs.

"People who work every day should not live in poverty," says Assemblywoman Shirley Weber, who chairs the Assembly Budget Committee.

A "refundable" state EITC could be costly, as much as $3 billion a year, according to the Franchise Tax Board. And depending how it's structured, it could indirectly reduce state aid to schools.

Both the high cost and the EITC's potential effect on schools would seem to violate Gov. Jerry Brown's governing ethos, likely making him the highest hurdle for advocates.