OFFICE OF THE GOVERNOR

OCT 08 2023

To the Members of the California State Assembly:

I am returning Assembly Bill 1002 without my signature.

This bill, beginning with the 2026 tax year, would require the Franchise Tax Board (FTB) to develop a form that qualified individuals can use in lieu of a tax return to claim the California Earned Income Tax Credit, the Young Child Tax Credit, and the Foster Youth Tax Credit. This bill would allow the Department of Social Services and Department of Health Care Services to exchange data with the FTB for purposes of implementing the form.

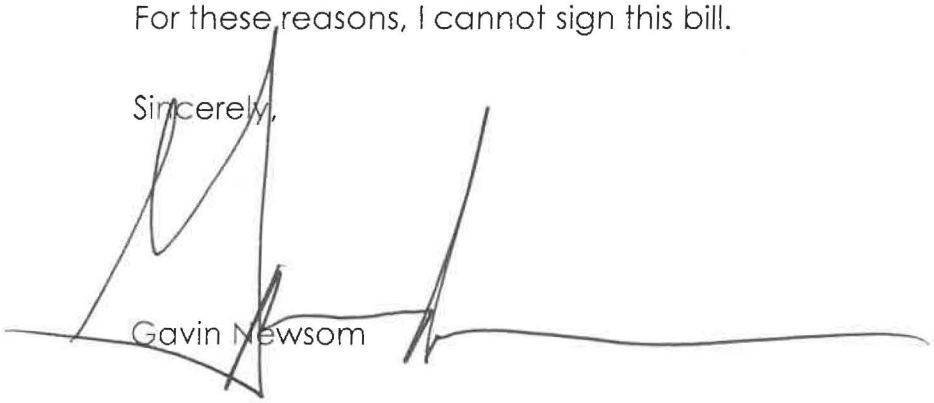
While I appreciate the author's goal to increase utilization of these credits by eligible individuals, creating a separate form to claim tax credits may create confusion for taxpayers and result in them not claiming other tax credits that they are entitled to under the tax system, including federal tax credits. Further, implementation of this bill would result in ongoing General Fund costs in the millions of dollars not contemplated in the budget.

In partnership with the Legislature, we enacted a budget that closed a shortfall of more than $30 billion through balanced solutions that avoided deep program cuts and protected education, health care, climate, public safety, and social service programs that are relied on by millions of Californians. This year, however, the Legislature sent me bills outside of this budget process that, if all enacted, would add nearly $19 billion of unaccounted costs in the budget, of which $11 billion would be ongoing.

With our state facing continuing economic risk and revenue uncertainty, it is important to remain disciplined when considering bills with significant fiscal implications, such as this measure.

For these reasons, I cannot sign this bill.

Sincerely,



Gavin Newsom