

Increasing Take-Up of the Earned Income Tax Credit

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The California Policy Lab builds better lives through data-driven policy. We are a project of the University of California, with sites at the Berkeley and Los Angeles campuses.

This research publication reflects the views of the authors and not necessarily the views of our funders, our staff, our advisory board, the Regents of the University of California, the California Franchise Tax Board, the California Department of Social Services, or Golden State Opportunity.

Executive Summary

Background: The state and federal Earned Income Tax Credits (EITCs) are crucial anti-poverty programs that can provide a significant financial boost for low-income Californians. However, a substantial share of eligible families are not required to file tax returns, raising the concern that not all families who are eligible for the credit receive it.

The California Policy Lab worked with the California Franchise Tax Board, the California Department of Social Services, and Golden State Opportunity to design, implement, and evaluate several outreach campaigns aimed at increasing awareness and claiming of the state and federal Earned Income Tax Credits (EITCs) in California in 2018 and 2019. These experiments aimed to “nudge” potentially eligible households (via low-cost text messages and letters) to file taxes and claim the credit. Most efforts were statewide, and together they reached over one million Californians over the course of two years. These experiments differed along several dimensions: the targeted populations, the communication method, the messenger, the message content, and the degree of personalization. The experiments are the first statewide attempt to rigorously evaluate whether targeted outreach efforts are effective at increasing take-up of the federal and California EITC (CalEITC) among individuals who do not file taxes.

Findings: While some text messages and letters elicited increased web traffic to online resources about the federal EITC and CalEITC, no outreach effort evaluated by CPL had demonstrable impacts on tax filing or EITC claiming. Our analysis suggests that these interventions were well-targeted at non-filing, EITC-eligible households. We also find that many potentially eligible households who did not file had very low earnings.

Conclusions: Outreach alone is insufficient to improve take-up of the EITC in California among non-filing populations. We rule out the possibility that potentially eligible, non-filing households are not claiming the credit because they are unaware of the credit or how to file. Given that additional outreach did not increase claiming, it is important that the state develop a better understanding of who is not claiming the credit and why. This knowledge would help inform strategies to improve take-up and ensure more Californians receive the support for which they qualify.

Recommendation 1: *Targeted, informational nudges, such as letters and text messages, should not be employed as the sole strategy to encourage non-filers to claim the credit. Such outreach strategies, however, may still be useful as annual reminders to filers to claim both credits or to inform filers of changing eligibility rules.*

Recommendation 2: *Researchers and government agencies should continue to explore the feasibility and benefits of using administrative data to identify Californians who are not enrolling in or claiming programs they may be eligible for, including the EITC. Follow-up surveys with non-filers from previous experiments could also complement the potential use of administrative data to identify barriers to tax filing. The current collaboration between the California Policy Lab, the California Department of Social Services, and the Franchise Tax Board represents a new opportunity to help California policymakers and other stakeholders better understand who needs further assistance in claiming the EITC and how best to use EITC outreach resources in future years.*

Recommendation 3: *As data from the Franchise Tax Board and Department of Social Services are analyzed to better identify and target eligible, non-filing populations, government agencies and service providers should explore the feasibility of reducing administrative burdens associated with filing to encourage non-filers to claim the EITC. This could include increasing the availability of free tax preparation assistance or simplifying the tax filing or EITC claiming process specifically for non-filing populations. Government agencies, service providers, and researchers should rigorously evaluate these efforts to determine whether they are effective at increasing EITC take-up.*

Acknowledgements

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Introduction

The federal Earned Income Tax Credit (EITC) is “perhaps the most important means-tested transfer program in the United States” (Nichols and Rothstein 2015). In 2018, 25 million eligible households claimed the credit (totaling \$61 billion) with an average benefit of approximately \$2,500. Numerous studies have documented the EITC’s beneficial effects on work and income, reducing poverty, children’s educational achievement and attainment, and adult and infant health (See reviews in Hoynes and Rothstein 2016; Nichols and Rothstein 2015).

About half of the states have introduced their own state-level EITCs that supplement the federal credit. California created the California Earned Income Tax Credit (CalEITC) in 2015. Since then, the state legislature has increased the credit’s value and broadened eligibility. Combined, the federal and state EITCs provided nearly \$7 billion to low-income households in California for tax year 2017. Nearly one in five (18%) state residents live in a household that receives the state or federal EITC (Davis and White 2019).

To claim the federal and state credits, eligible households must file both federal and state tax returns. However, as shown in [Figures 1 and 2](#), many households that qualify for the credits fall below the federal and state income thresholds that require households to file a tax return. As with many government programs and benefits, eligible households may not know about the credit, or that they are eligible (Currie 2006). Moreover, even for a family that is aware of the credit, the filing process can be confusing, complex, and burdensome. Previous research suggests that these barriers, which are difficult for the average tax filer to navigate, may be especially burdensome for low-income families and those eligible for the EITC (Currie 2006, Bhargava and Manoli 2015; Goldin 2018; Herd and Moynihan 2019).

Estimates indicate that around 70 to 80% of households that are eligible for the federal EITC receive it, a high rate compared to other non-tax-based transfer programs (Currie 2006; Plueger et al 2009; Jones 2014). However, the take-up rate varies meaningfully by household type and income. Among households that are not required to file tax returns, the take-up rate may be significantly lower (Blumenthal et al. 2005), though such estimates have not been updated for many years. This raises a concern about take-up of the CalEITC: a substantial share of eligible families are not required to file state tax returns and generally may not have filed prior to the CalEITC’s introduction in 2015. These families are likely to benefit the most from efforts to inform eligible households about the CalEITC and/or assistance with filing their taxes.

To address concerns that eligible non-filers are not claiming the state or federal EITC because they are unaware of the credit, their eligibility, or how to claim it, the California Legislature has provided funding for EITC outreach grants to community-

FIGURE 1. 2018 Federal and California EITC Schedules for Single Filers with No Children

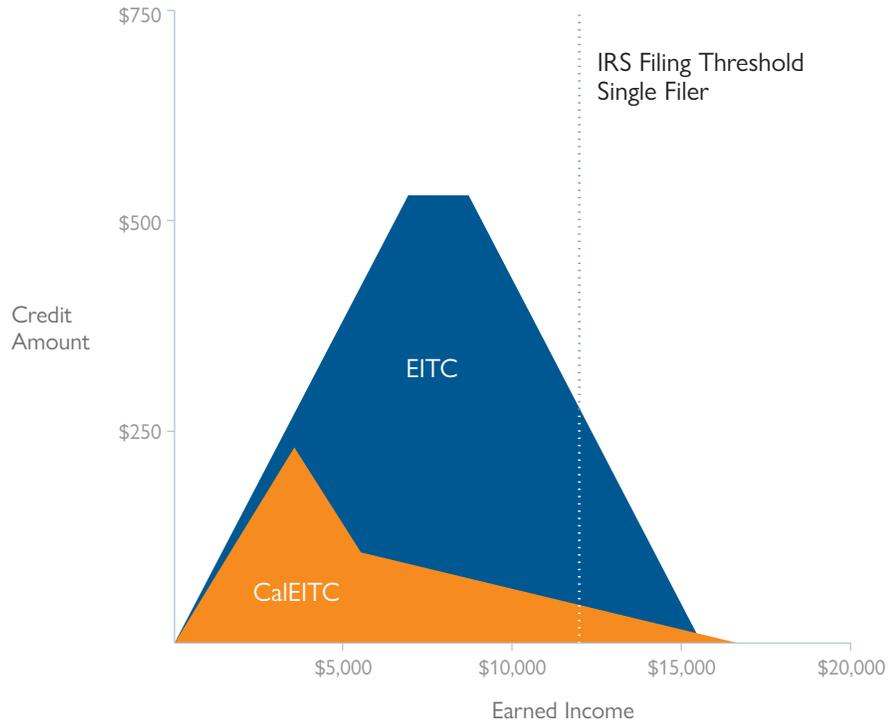
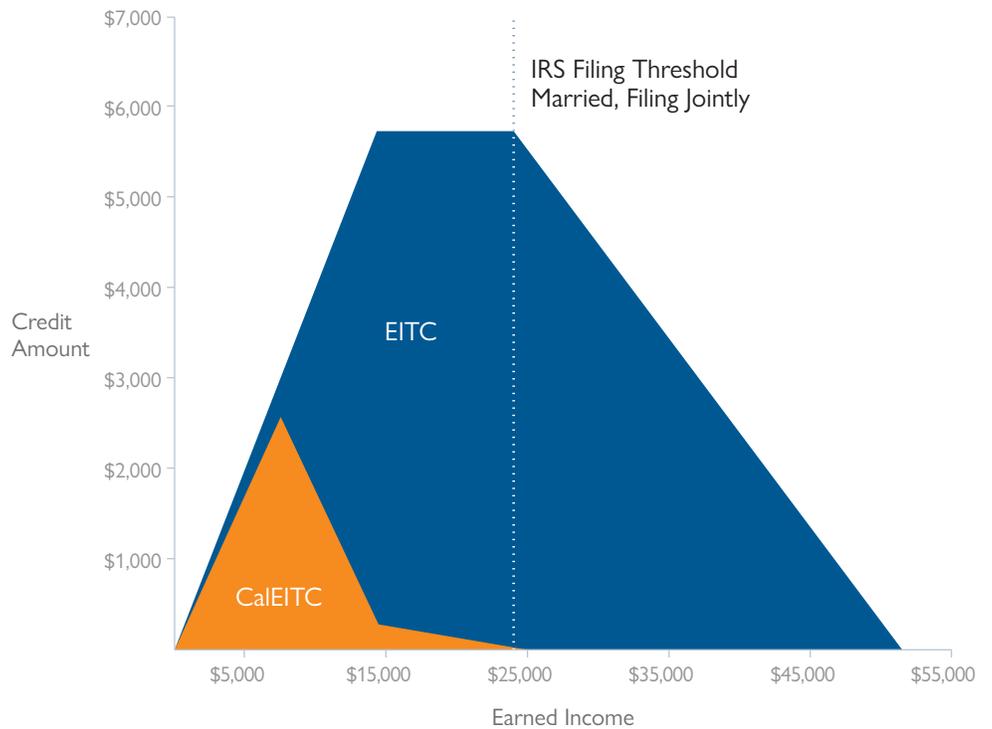


FIGURE 2. 2018 Federal and California EITC Schedules for Married Households with Two Children



Note: Figures 1 and 2 provide schedules for a single filer with no dependents (top) and a married filing jointly household with 2 dependents (bottom). Both schedules contain the IRS mandated filing threshold (dashed line). Any household with an income below the threshold is not required to file taxes — prompting concerns that those households may miss out on either credit.

based organizations across California since the inception of the CalEITC in 2015. These outreach efforts typically involve advertising and media campaigns, distribution of printed materials, canvassing, and contacting individuals already interacting with community organizations and social service providers. There is no rigorous evidence available about the efficacy of these efforts. The California Franchise Tax Board (FTB) also piloted their own targeted outreach efforts to raise awareness of the credit. For example, in 2016 FTB identified state income tax filers who were eligible for the CalEITC but who had not claimed it. The FTB sent these filers simplified, amended tax return worksheets with some pre-filled income elements (based on the tax return already submitted by the filer) to simplify the process of claiming the credit.¹ In 2016, FTB also sent letters to the 90,000 lowest earning W-2 recipients who had not filed state taxes in prior years, notifying them of their potential eligibility.²

Given all the outreach occurring in California, it is challenging to identify which efforts, if any, successfully increase take-up. Whether fewer individuals would have claimed the credit without these outreach activities is unknown (LAO 2018). Furthermore, it is unclear how effective these efforts are in targeting non-filers.

To help answer whether targeted outreach can improve EITC claiming, the California Policy Lab (CPL) worked with the FTB, the California Department of Social Services (CDSS), and Golden State Opportunity (GSO)³ in early 2018 and 2019 to help design, implement, and evaluate six EITC outreach efforts via a series of randomized controlled trials (RCTs).⁴ RCTs can provide a credible estimate of the causal impact of the measured intervention, separated from all other factors that might also influence the targeted behavior.⁵ These RCTs were designed to measure the effect of EITC outreach on several outcomes, including tax filing and EITC claiming. Within each experiment, we randomly selected which individuals would receive a letter or text message about the EITC. Because the “treatment” and “control” groups were assigned at random and were very large, we can consider them statistically similar except for the outreach they were assigned to receive. Any difference between the groups’ subsequent filing and claiming rates can be causally attributed to the type of outreach that the group received. These experiments were the first statewide attempt to design rigorous evaluations of outreach efforts to increase take-up of the federal EITC and CalEITC. The commitment to rigorously evaluate each outreach method will help inform the state’s future strategy around EITC outreach and also demonstrates a commitment by California to be at the forefront of evidence-based policymaking.

1 Letters and worksheets were sent to 53,750 filers, 18% of recipients returned the worksheet, and 14% of recipients received refunds totaling \$4.5 million. While it is unlikely that individuals would have filed a return in absence of the letter, a future randomized control trial of an effort like this could quantify the impact on EITC claiming rates.

2 One percent of recipients filed returns; only five individuals claimed the EITC.

3 GSO is a nonprofit that administers the CalEITC4Me campaign and CalEITC4me.org. It is one of the state’s grantees for EITC education and outreach.

4 The Internal Revenue Service (IRS), in partnership with researchers, has conducted similar field experiments to identify the effect of targeted outreach on increasing EITC take-up and has found that mailed notifications can improve EITC claiming among filers and non-filers (see Bhargava and Manoli 2015, Guyton et al 2017).

5 See, e.g., <https://www.povertyactionlab.org/sites/default/files/documents/implementing-randomized-evaluations-government.pdf>

Description of Studies

This report details findings from six distinct experiments conducted in 2018 and 2019, for tax years 2017 and 2018, to determine whether targeted outreach increased tax filing and EITC claiming and, if so, what type of outreach was most effective.⁶ The experiments differed in both the target population and which partner administered the outreach. In addition, each experiment varied the content of messages to help identify what type of outreach, if any, was most effective. Outreach was conducted via a one-time letter or text message. Each experiment was designed to address multiple research questions. See [Table 1](#) for a detailed outline of each experiment.

Research questions

Does targeted outreach increase EITC claiming among eligible households?

This question aims to identify whether lack of awareness of, and/or information about, the EITC explains why some non-eligible filers are not taking up the credit. In each experiment, we randomly assigned potentially eligible households to either receive a message (known as a treatment group) or not (a control group). If individuals who receive basic information about the credit exhibit higher rates of filing and claiming than the control group, this would suggest that lack of awareness of the credit can explain some part of non-filing among eligible households, and informational outreach can increase take-up.

What are the barriers to take-up? Are eligible EITC households not filing because they 1) do not know the credit exists; 2) do not realize how much they could receive; or 3) face real or perceived barriers to claiming the credit? To answer this question, we varied the content of messages sent to households to test what types of information on the credit, tax filing, and assistance could encourage filing.

In general, households were randomly assigned to receive one type of message:

1. *Simple message.* Most of the experiments included a treatment arm with a simple, basic message notifying the recipient they may be eligible for the EITC, that they need to file taxes to claim it, and to visit the ftb.ca.gov EITC website or the CalEITC4Me.org page to learn how to file for free and to calculate their expected federal and state credits.

⁶ Throughout this report, we refer to claiming either the state or federal credit as “EITC claiming” or “claiming the EITC”. We use “the EITC” to reference both the state and federal credits, unless otherwise specified.

2. *Benefit amount (average versus personalized)*. People who do not know how much money they could receive, or who think the value is too low to make filing worthwhile, may decide not to file. To test whether providing benefit amounts encourages filing, we listed an average benefit amount (e.g. “Eligible Californians received \$2,500 in 2018”) in some letters and texts. Where we had information about earnings and household composition, we were able to calculate recipients’ personalized estimated credit amount and share this estimate with the recipient (e.g. “Based on our records, you could get back \$X,XXX”).
3. *Assistance with filing*. Households may not know where or how to file a return, or that there are options to file for free. They might also need assistance in navigating the complex tax filing process. Further, they may be weighing the expected benefit of the credit against the direct and indirect costs associated with filing.

To test whether addressing those cost concerns would increase filing, a random selection of households received letters with detailed information about the closest free tax-preparation site. Other randomly selected households were offered additional assistance via text message. We varied the mode of assistance offered — directing recipients to visit a website, text back, or call their local 211 hotline for more information — to determine what mode clients were most responsive to using, especially given the sensitivity of information related to determining eligibility.

What is the right mode, design, and messenger for such outreach? While many policy actors recognize that outreach is important, there is little evidence-based guidance about who is best positioned to conduct effective outreach and how to design such outreach. Furthermore, while governments and nonprofits regularly administer outreach campaigns using various modes of communication, there is little research about what mode is most effective at encouraging a behavior change.

Both the identity of the messenger and the presentation of the message are likely important in building trust between the sender and potential filer. Individuals may quickly disregard unsolicited messages which suggest they can receive some financial benefit if they take some action; such messages could be seen as a scam. Moreover, determining EITC eligibility involves the exchange of sensitive information (such as income and family structure). Finding ways to signal credibility may be particularly important in encouraging non-filers to overcome psychological barriers to filing.

To address these questions, we also varied the messenger, format, and communication method to answer:

- Are individuals more responsive to letters or text messages?
- Are individuals more responsive to outreach from a nonprofit or a government agency?
- Are individuals more responsive to formal letters⁷ or informal, flyer-like notices, depending on the messenger?
- Are individuals more willing to seek assistance from phone- or text-based outreach?

Messenger and target population

One of the most challenging aspects of EITC outreach is identifying and reaching the population of eligible non-filers. No state agency alone has all the information needed to identify these individuals. Some state agencies, like the FTB, have access to income and tax filing information while others, like CDSS, have access to household composition information.

Together with our partners, we reached out to three populations that would likely include eligible non-filers:

1. *Potentially eligible CalFresh enrollees.* We partnered with CDSS and five county welfare departments to reach out to households enrolled in California's Supplemental Nutrition Assistance Program (SNAP), also known as CalFresh or food stamps. County welfare departments routinely communicate with CalFresh recipients who opt in to receiving text message reminders about their cases. For experiments targeting CalFresh enrollees, county welfare departments sent text messages to households who were likely eligible based on household information and previous year's earnings data; eligible for a combined EITC greater than \$50; who had valid phone numbers; and who had consented to receive texts from their county welfare offices.
2. *Low-income households identified in marketing data.* As part of its statewide CalEITC4Me outreach efforts, GSO routinely contacts low-income Californians identified in a marketing database compiled by TargetSmart, a private marketing firm. The database includes names, contact information, and ages of Californians with incomes below \$25,000, as determined by TargetSmart's method of collating data from public sources and marketing databases. GSO sent text messages and letters to households in the database.

7 Formal letters are based on a template used by the IRS and researchers in previous EITC outreach experiments (see Bhargava and Manoli 2015).

3. *Potentially eligible non-filers.* The FTB's records reveal which households have filed taxes and claimed the federal or state EITCs in previous tax years. TargetSmart's records were merged to records on previous tax filing, and households were identified who had not filed taxes since the inception of the CalEITC in 2015.⁸ FTB sent letters to these households.

Across all lists, our final samples were sizeable — ranging from 47,000 (CalFresh recipients) to 1.2 million (TargetSmart data). Each list has its own advantages and disadvantages. The CalFresh enrollee contact information is updated regularly, with detailed information on income and family composition that makes it easier to identify likely eligible households, and is limited to households that have agreed to receive routine text messages. However, CalFresh data is limited to households already connected with state social assistance programs, who may be more likely to claim the EITC without intervention and who may face lower psychological barriers when interacting with a government agency. By contrast, the TargetSmart list has little detail on earned income and family structure, and some of the TargetSmart records might be outdated or incorrect. Yet the TargetSmart list (and its intersection with the FTB data) may be more likely to contain harder-to-reach non-filers because the list is not derived from households connected to existing government programs.

Measuring outcomes

To measure whether or not targeted households filed taxes and claimed either credit, tax records from the FTB were merged together with data from each experiment. For the CalFresh sample, tax records from the FTB were merged in with program enrollment records from CDSS. Among the CalFresh sample, we are able to observe quarterly earnings for most of the tax year, regardless of whether or not a household filed their taxes, making it possible to analyze the income distribution among non-filers in the CalFresh experiment. For all other experiments, tax records were merged in with the TargetSmart dataset. Among this sample, earnings data is only available for filers.

⁸ FTB employed a probabilistic matching process, using name, address, and age, to match GSO records to California tax returns from the 2015–2017 tax years. The resulting sample was 200,000 individuals from roughly the same number of households.

TABLE 1. Summary of experiments by audience, mode, size, and test

EXPERIMENT	AUDIENCE AND DATE	MODE, SIZE, LANGUAGE	RESEARCH QUESTIONS AND TREATMENT ARMS
TY 2018 FTB letters experiment⁹	<p>Non-filers: low-income Californians who appear in TargetSmart marketing data but who, according to FTB's records, had not previously filed a tax return between 2015–17</p> <p>Sent: February 2019</p>	<p>200,000 households:</p> <p>120,000 letters of 8 types (15,000 each) plus 80,000 control</p> <p>Language:</p> <p>Print: English (front of letter) and Spanish (back of letter)</p> <p>Links to: Korean, Vietnamese, Chinese, Russian</p>	<p>Does targeted EITC outreach increase EITC claiming? What are barriers to take-up? Are recipients more responsive to formal or informal messaging?</p> <p>8 treatment arms (see appendix for letter format and language):</p> <ol style="list-style-type: none"> 1. Formal: Simple message 2. Formal + Average Benefit 3. Formal + VITA info 4. Formal + VITA info + Average Benefit 5. Informal: Simple message 6. Informal + Average Benefit 7. Informal + VITA info 8. Informal + VITA info + Average Benefit
TY 2018 FTB-GSO letters experiment	<p>Low-income households in six counties (San Francisco, Santa Clara, San Mateo, Alameda County, Contra Costa County and Marin County) in TargetSmart marketing data, without regard to prior filing</p> <p>Sent: February 2019</p>	<p>120,000 households:</p> <p>40,000 letters of 4 types (10,000 each) plus 80,000 control</p> <p>Language: English (front of letter) and Spanish (back of letter)</p>	<p>Does targeted EITC outreach increase EITC claiming? Are recipients more responsive to a government agency vs. nonprofit, and formal vs. informal messaging?</p> <p>4 treatment arms (see appendix for letter format and language):</p> <ol style="list-style-type: none"> 1. FTB letter: Formal + VITA info + Average Benefit 2. FTB letter: Informal + VITA info + Average Benefit 3. GSO letter: Formal + VITA info + Average Benefit 4. GSO letter: Informal+ VITA info + Average Benefit
TY 2018 CalFresh text message experiment	<p>Households in five counties (San Mateo, San Francisco, Santa Clara, Sacramento, and San Diego) that were enrolled in CalFresh and appeared eligible for the EITC based on earnings and household composition from 2018</p> <p>Sent: March 2019</p>	<p>47,500 households:</p> <p>35,250 texts of 3 types (11,750 each), 11,750 control</p> <p>Language: English, Spanish, Chinese, Vietnamese</p>	<p>Does targeted EITC outreach increase EITC claiming? What are the barriers to take-up? How do households respond to an estimate of their benefit amount?</p> <p>3 treatment arms:</p> <ol style="list-style-type: none"> 1. Simple text: Hi <name> This is <county>. You may qualify for cash back thanks to tax credits. Claim your refund by filing a tax return. See if you're eligible at caleitc4me.org/Cash. Call 211 to file your taxes for free. 2. Average benefit: Hi <name>. This is <county>. You may qualify for cash back thanks to tax credits. Eligible families got back \$2,500 on average last year. Claim your refund by filing a tax return. See if you're eligible at caleitc4me.org/YourMoney. Call 211 to file your taxes for free. 3. Individual benefit: Hi <name> This is <county>. You may qualify for cash back thanks to tax credits. Based on our records, you could get back <\$x,xxx>. Claim your refund by filing a tax return. See if you're eligible at caleitc4me.org/Money. Call 211 to file your taxes for free.

⁹ This study was built on an earlier pilot study that FTB conducted in tax year 2017, using a smaller set of letters and a sample of previous filers. This pilot did not involve randomization of treatments. Although we do not discuss it here, non-experimental analyses indicate effectiveness consistent with what we observe in the later RCTs.

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EXPERIMENT	AUDIENCE AND DATE	MODE, SIZE, LANGUAGE	RESEARCH QUESTIONS AND TREATMENT ARMS
TY 2018 GSO text message experiment	Low-income Californians who appear in TargetSmart marketing data Sent: February–April 2019	1.2 million individuals: 988,000 text messages of 4 types (247,000 each) plus 247,000 control Language: English	Does targeted EITC outreach increase EITC claiming? Are individuals more willing to seek phone, text, or web assistance? 4 treatment arms 1. Web page: Hi-this is <name>, a volunteer with CalEITC4Me. I'm contacting households who might qualify for a tax refund. Even if you don't owe taxes, you could get cash back by filing a tax return. Visit caleitc4me.org/CashBack to learn more about your eligibility and to claim your EITC refund. 2. 211/hotline: Hi-this is <name>, a volunteer with CalEITC4Me. I'm contacting households who might qualify for a tax refund. Even if you don't owe taxes, you could get cash back by filing a tax return. Call <local 211> to get free help with filing your return and to claim your EITC refund. 3. Text-based assistance: Hi-this is <name>, a volunteer with CalEITC4Me. I'm contacting households who might qualify for a tax refund. Even if you don't owe taxes, you could get cash back by filing a tax return. Text "yes" and I can help you claim your EITC refund. 4. Average benefit: Hi-this is <name>, a volunteer with CalEITC4Me. I'm contacting households who might qualify for a tax refund. Even if you don't owe taxes, you could get cash back by filing a tax return. Eligible families got back an average of \$2,000 last year. Text "yes" and I can help you claim your EITC refund.
TY 2017 CalFresh text message experiment	Households in two counties (San Diego and Sacramento) who were enrolled in CalFresh and appeared eligible for the EITC based on earnings information and household composition from 2017 Sent: March 2018	38,000 households 17,000 text messages plus 17,000 control. Language: English, Spanish	Does targeted EITC outreach increase EITC claiming? 1 treatment arm Text 1: Hi, this is <county>. Have you claimed your tax refund? We estimate you're owed about \$x,xxx from state and federal earned income tax credits. File your taxes to get the refund you earned! Reply "1" to learn how to get your taxes done for free or "2" to stop these texts. Standard messaging rates apply. First response: You can use free online software to prepare your taxes at www.myfreetaxes.org (sponsored by the UnitedWay). For in-person assistance, find the closest volunteer site at irs.treasury.gov/freetaxprep . Would you like information for a nearby site? If yes, reply "1". Second response: [Address and hours of closest VITA site to client's 9 digit zip code and if an appointment is required, another link so they can register]

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EXPERIMENT	AUDIENCE AND DATE	MODE, SIZE, LANGUAGE	RESEARCH QUESTIONS AND TREATMENT ARMS
TY 2017 GSO text message experiment	Low-income Californians who appear in TargetSmart marketing data Sent: March–April 2018	649,900 individuals 449,900: text only ¹⁰ plus 200,000 control	Does targeted EITC outreach increase EITC claiming? Examples: Hello! My name is <Name>, with CalEITC4me. Have you filed your taxes yet? You may want to file this year because of the recently expanded California Earned Income Tax Credit! Thousands of Californians are claiming this cash-back credit. You don't want to miss out! If you want to know how to claim it, text me back! We are here to help! Click here! Para Español responde con la palabra: Español bit.ly/CalEITC4Me. (Sent in April) Hello, this is a volunteer from CalEITC4Me, we're texting to let people know they may be leaving up to \$6,000 in tax money on the table, visit our website to see if you are eligible for the EITC and free tax preparation! Have you filed your taxes yet? goo.gl/42PR24 (Sent in March)

10 A parallel experiment by GSO and CPL aimed to show Facebook ads to a different group of households. 370,000 received texts only, 47,200 received Facebook ads, and 79,900 received a combination of Facebook ads and text messages. Unfortunately, Facebook changed its advertising policies during the experiment, and as a result they were unable to share what fraction of intended ads were actually delivered. As a result, we do not discuss the details this experiment in this report. However, our analysis suggests that individuals assigned to receive a Facebook advertisement exhibited no difference in filing or claiming behavior than the control group.

Findings

Finding 1: None of the outreach efforts led to increased tax filing or increased EITC claiming. Across all experiments and outreach efforts, we see no demonstrable impacts of outreach on the likelihood of filing a tax return, of using free tax preparation assistance, or of claiming the state or federal EITC.

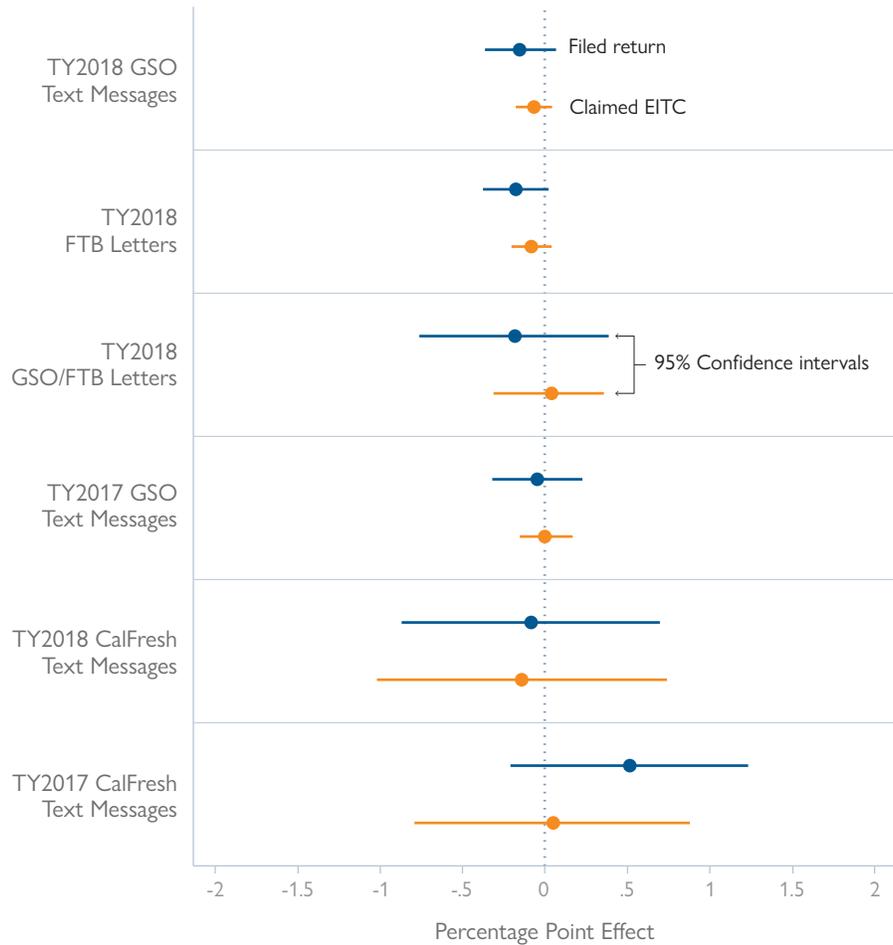
To measure the impact on filing and claiming, we examined two outcomes: whether any member of a household filed a tax return, and whether any member claimed either the federal or the state EITC.¹¹ For each experiment, we also tested whether receiving any message or letter had an impact on outcomes and whether specific types of messages had differential effects. Finally, we pooled several message types to test whether certain message characteristics (e.g., formal vs. informal letters) had detectable differential effects.

[Figure 3](#) shows the impact of each experiment on filing and claiming. The dots represent our best estimate of each experiment's impact and the horizontal lines show 95% confidence intervals — the range in which we can be confident that the true effect falls. Almost all point estimates hover around zero, and all the confidence intervals include zero. For the most part, we can rule out effects larger than a half percentage point. We have also examined the subset of households that had not filed by the time the messages were sent, as well as EITC claiming rates among those who did file, with similar results.¹² We are confident that none of our research efforts had an impact on tax filing or EITC claiming.

11 Our analyses of federal EITC claims only capture e-filers and those who also claim the CalEITC. In our study, for paper filers that only claim the federal EITC (and not the CalEITC), we are unable to observe their claims due to data sharing restrictions. Filing and claiming numbers exclude amended returns. For TY2017, we observe tax returns through the October 15, 2018 extension deadline; for TY2018, we only observe tax returns through late June 2019. All analyses are on the full population of households eligible for random assignment, including those to whom messages may not have been successfully delivered and those who had already filed by the time the messages were sent. This is the most straightforward analysis possible in an experiment of this type. In each model, we cluster standard errors among individuals assigned to the same household, and include design effects to capture the stratified nature of the experiments.

12 The exception to this pattern is the TY 2017 CalFresh text message results. When we drop observations who filed returns before text messages were sent out on March 27, 2018, we find that treated households are 1.5 percentage points more likely to file a return and claim the EITC. While this estimate is statistically significant at the 5% level, when we run standard robustness checks that are common practice when running a series of comparisons, this estimate is no longer statistically significant.

FIGURE 3. Estimated treatment effects of CalFresh, FTB, and GSO outreach on tax filing and EITC claiming



Note: The dots represent our best estimate of each experiment's impact and the horizontal lines show 95% confidence intervals — the range in which we can be confident that the true effect falls.

Finding 2: More personalized outreach led to higher levels of engagement with online resources. FTB outreach drove more web traffic than nonprofit outreach, with more formal letters from FTB outperforming informal letters.

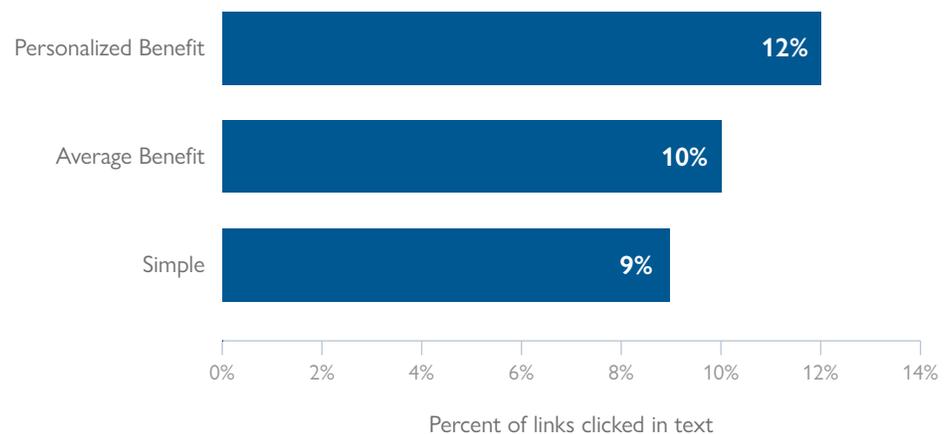
We included a URL unique to each treatment arm to track web traffic in the TY 2018 experiments. Each message included a link to the ftb.ca.gov EITC website or the CalEITC4Me.org online EITC calculator.¹³ Because each treatment arm had a unique web address, we can compare differences in web traffic across treatment arms. Note that because the control group did not receive URLs, we cannot compare web traffic between treatment and control. In the CalFresh experiment, we were able to track the number of unique users who clicked on the link, or the unique click-through

13 FTB letters contained a ftb.ca.gov URL, which prompted them to visit the CalEITC4Me.org calculator. 60% of visitors to the ftb.ca.gov EITC page continued on to the CalEITC4Me.org calculator.

rate. In the FTB and GSO experiments, we were only able to track the the visits, or the volume of clicks, elicited by each type of letter.¹⁴ In these experiments, an individual who clicks a link multiple times will be counted each time, but we expect these rates to be relatively similar across different experimental groups.

Messages with personalized benefit amounts had higher click-through rates than simple messages: Depending on the arm, 9% to 12% of text message recipients clicked on the link embedded in the text message (Figure 4). Text messages that included benefit amounts outperformed the simple message. Text messages with a personalized benefit amount had the highest click-through rates. These differences across treatment arms are statistically significant.

FIGURE 4. Web Traffic, TY 2018 CalFresh text messages

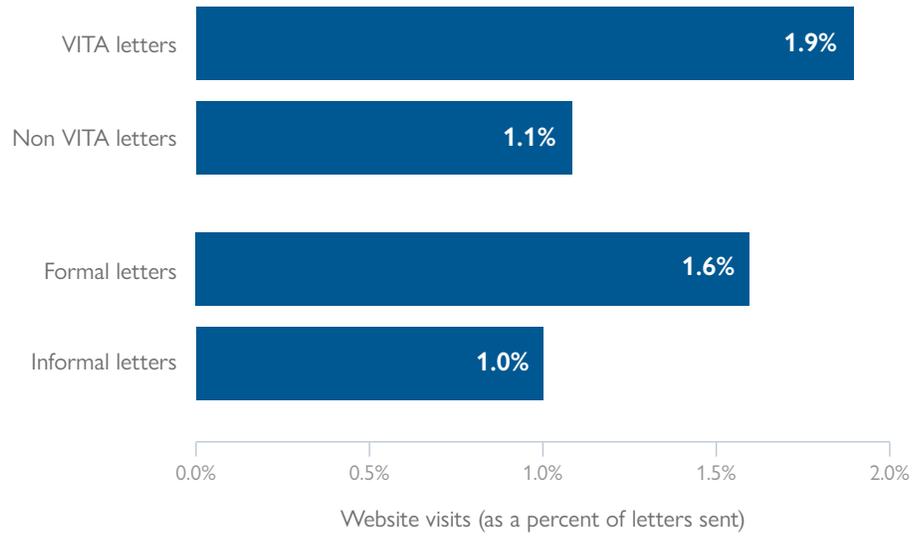


Note: For each treatment arm, bars represent the percent of individuals who clicked on the link embedded in the text message they received.

Letters from the FTB drove higher web traffic than letters from a nonprofit. Formal letters from FTB outperformed informal letters, as did more personalized letters with details on a nearby VITA site. Figures 5 and 6 also provide the number of views across links included in the FTB letters and the FTB/GSO letters experiments. Online engagement was much lower with links sent in letters than with those sent in text messages, but that is to be expected — text message recipients could directly click on links embedded in text messages, but letter recipients needed to type the URL into a browser on their smartphone or computer. Letters mailed by FTB outperformed letters mailed by GSO, and formal letters outperformed informal ones; these differences are statistically significant. In the FTB letters experiment, formal letters also outperformed informal ones and letters with the details on the recipient’s nearest VITA site elicited more web traffic than those without. These differences are also statistically significant.

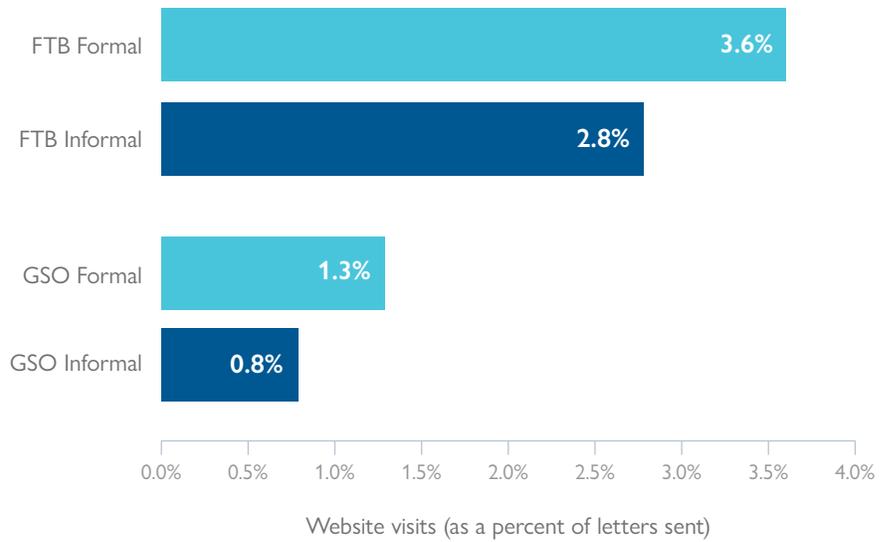
14 Views count all visits between a 20–30 minute period by a user, and filters out page refreshes

FIGURE 5. Web Traffic, TY 2018 FTB Letters Experiment



Note: The above chart pools together different treatment types. Due to implementation error, visits from Formal + VITA + Average Benefit letters (T4) and Informal + VITA + Average Benefit letters (T8) are excluded from the above totals. For each treatment arm, bars represent the volume of website visits over the total number of letters sent, scaled by the return mail rate.

FIGURE 6. Web Traffic, TY 2018 FTB/GSO Letters Experiment



Note: For each treatment arm, bars represent the volume of website visits over the total number of letters sent.

Finding 3: CalFresh enrollees had high rates of tax filing, and large shares of filers claimed either EITC. Individuals in the TargetSmart database had much lower tax filing rates, and those who filed were less likely than expected to claim the EITC. An intervention aimed at increasing EITC take-up can only be effective if it is targeted at people who are eligible for the EITC, but who would not have taken up the credit if not for the intervention. Our samples varied in rates of eligible households and take-up, but each was targeted well-enough that we would expect to see impacts if the outreach messages were successful.

Table 2 presents filing and claiming rates in the control group for each experiment. The filing rate among CalFresh recipients in the experiment with earned income was quite high — around 79% of households in the experiment filed a tax return across both years.¹⁵ In TY 2018, 70% of households in the control group claimed the EITC. Thus, the majority of CalFresh households in the TY 2018 experiment seemed to be relatively well-informed about the credit and were able to claim it regardless of whether they received a text message. However, 21% of households who were likely eligible did not file, indicating that while the messages did reach a segment of the seemingly eligible non-filing population, they did not induce filing.

TABLE 2. Filing and EITC Claiming Rates by Experiment

EXPERIMENT	TARGET POPULATION	FILING RATE	EITC CLAIMING RATE: OVERALL	EITC CLAIMING RATE AMONG FILERS
TY 2018 FTB letters	TargetSmart households who did not file between TY 2015 and TY2017	9%	2%	27%
TY 2018 FTB GSO letters	TargetSmart households	38%	8%	20%
TY 2018 GSO text messages	TargetSmart households	39%	6%	16%
TY 2017 GSO text messages	TargetSmart households	41%	9%	21%
TY 2018 CalFresh text messages	CalFresh households	78%	70%	89%
TY 2017 CalFresh text messages	CalFresh households	79%	70%	89%

Note: Last column may not match ratio of the claiming rate and filing rate presented in this table due to rounding.

15 For TY 2017, if a dependent in a CalFresh case appears on any tax return, they were counted as having filed; dependent tax filing data has not yet been incorporated for TY 2018.

In contrast, and as anticipated, the control group filing rate in the FTB letters experiment, which focused on those who had not filed previously, was low (9%). Among the control group for the FTB letters experiment, the EITC claiming rate was approximately 2%. Our data does not give us insight into why the other 91% of households in the experiment did not file. It could be that they have no earned income, they do not live at the address listed in the database,¹⁶ or they have other reasons why they do not want to file their taxes.

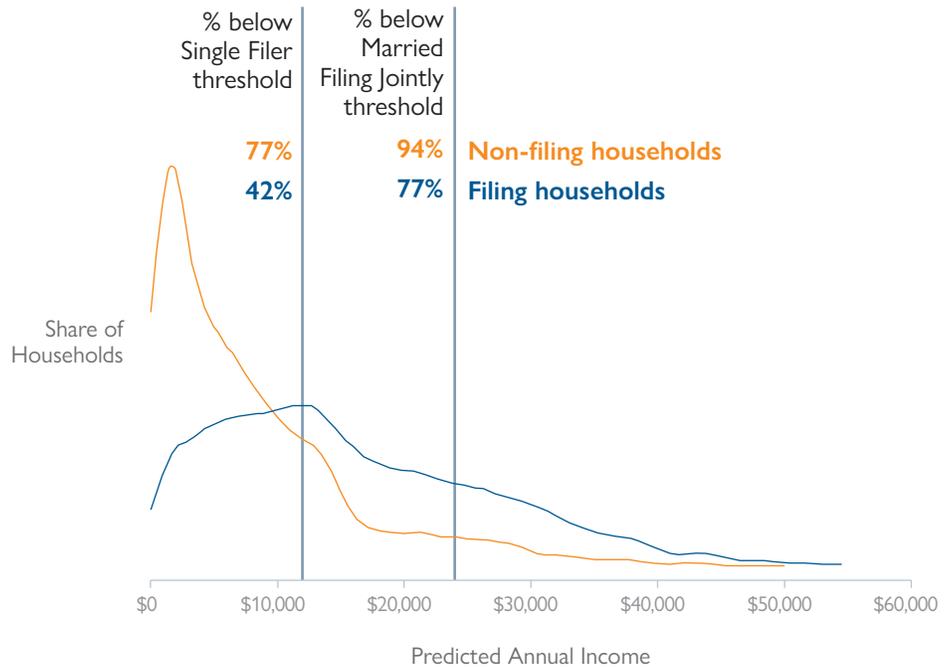
In the experiments that used TargetSmart data but did not exclude prior filers, the control group filing rate was around 40%. However, in 2019, only 16% to 21% of households in the control group who filed a return claimed either the state or federal EITC. While the claiming rate is similar to the statewide average claiming rate of 18%, it is slightly lower than we would expect if the TargetSmart sample was primarily comprised of low-income households. A partial explanation is that more than half of the TargetSmart data are seniors, compared to only 15% of all California tax filers.

A closer look at various demographic cells (income level, filing status, and number of dependents) reveals that, among households with a head under the age of 65 and an AGI of \$30,000 or less, TargetSmart filers seem representative of all California tax filers — no more and no less likely to claim the EITC. This implies that our target sample was large enough and includes enough likely eligible households that we should have detected an effect if the interventions did change behavior in the population of interest.

Finding 4: Eligible non-filing CalFresh enrollees had lower incomes than households that filed. Understanding which eligible households are not filing taxes or claiming the credit provides some insight into whether and why these households may not be filing. [Figure 7](#) shows the distribution of earnings among filers and non-filers in the TY 2018 CalFresh experiment control group. A larger share of non-filers (in orange) have very low incomes relative to filers (in blue). These incomes are well below the thresholds at which households are required to file a return. For example, 77% of non-filing households have earnings below the single filer threshold, while only 42% of filing households are below that threshold.

¹⁶ FTB estimates a return mail rate of 21% for this experiment — in line with the rate for similar FTB mail correspondence.

FIGURE 7. Income distribution, filers versus non-filers



Note: IRS filing threshold for head of household is not displayed here, but is in between the single and married filing jointly threshold at \$18,000.

Table 3 compares estimated credit amounts, filing rates, and claiming rates by household type (approximated by CalFresh data). The lowest average filing and claiming rates are for households without dependents and those with the lowest incomes, for whom EITC credits will be relatively small. These households represent a large share of the 21% of CalFresh households who did not file. Among households with dependents, claiming rates are also consistently lower for those earning below \$10k than those with higher earned income.

The size of the potential credit varies widely depending on household composition. For a household with earned income of \$5,000 and no dependents, the CalEITC would have been worth no more than \$142, and the federal credit worth \$384. Some of these households may choose to not file because the costs associated with filing could outweigh the credit amount they are due. However, households with children could receive substantially larger credits, and it is unlikely that the direct costs of filing will exceed the value of the EITC that these households, even those with very low incomes, stand to receive. For example, a household with earned income of \$5,000 and one dependent could receive \$1,438 from the CalEITC and \$1,709 from the federal EITC. These households likely face other barriers to filing taxes, such as scarcity of the time and resources required to navigate the filing process.

TABLE 3. Filing and claiming rates by household type, TY 2018 CalFresh text message experiment.

	SHARE OF SAMPLE	SHARE FILED	SHARE CLAIMING EITC	ESTIMATED EITC AMOUNT
NO DEPENDENTS				
\$0–\$10k	22%	53%	44%	\$429
\$10–\$20k+	10%	74%	59%	\$302
1 DEPENDENT				
\$0–\$10k	10%	73%	67%	\$2,391
\$10–\$20k	10%	89%	84%	\$3,487
\$20–\$30k	6%	90%	81%	\$2,769
\$30–\$50k	2%	92%	75%	\$1,309
2 DEPENDENTS				
\$0–\$10k	7%	76%	71%	\$3,270
\$10–\$20k	8%	92%	87%	\$5,643
\$20–\$30k	7%	93%	85%	\$4,804
\$30–\$50k	4%	94%	81%	\$2,761
3+ DEPENDENTS				
\$0–\$10k	4%	78%	72%	\$3,703
\$10–\$20k	4%	92%	88%	\$6,396
\$20–\$30k	4%	93%	85%	\$5,505
\$30–\$50k	3%	96%	85%	\$3,332

Implications

Outreach alone is likely not enough to improve take-up among non-filing populations. While outreach efforts drove web traffic to online EITC resources, indicating that at least some populations engaged with the outreach material, they were not successful in encouraging eventual tax filing or EITC claiming. Regardless of the information provided, the framing of the message, or who the messenger was, these particular outreach efforts did not improve take-up. While raising awareness of the benefits of filing may be necessary to encourage households to file, any additional awareness of the credit we were able to create among targeted households was not sufficient to induce tax filing.

Note that we are unable to measure the effects of statewide outreach efforts outside our experiment. It is possible, for example, that other EITC awareness campaigns run independently of the FTB and our partners may have increased filing and claiming among households in both our treatment and control groups, rendering additional outreach ineffective. Regardless, our additional outreach efforts were insufficient to encourage non-filers to file their taxes. We think it is reasonable to conclude that non-filing among potentially eligible households likely does not derive from a lack of awareness about the credit or awareness about how to claim it.

Recommendation 1: *Targeted, informational nudges, such as letters and text messages, should not be employed as **the sole strategy to encourage non-filers to claim the credit.** Such outreach strategies, however, may still be useful as annual reminders to filers to claim both credits or to inform filers of changing eligibility rules.*

Our results make it more urgent to identify how big the EITC take-up problem is in California and which eligible households are not claiming. Our experiments tried different ways to identify and reach households in the EITC take-up gap. Some data points provide hints as to who might be in that gap and who is not. While the control group filing rate from the CalFresh experiment suggests an EITC take-up gap likely exists, more research is needed to better understand the size and composition of the eligible, non-filing population in California. A better understanding of who is not claiming the credit could help inform investments towards closing the EITC take-up gap.

CPL's collaboration with CDSS and FTB, in which we match de-identified information about individuals currently participating in safety net programs to tax records, will shed light on which Californians who are currently enrolled in social safety net programs and who are potentially eligible for the EITC but are not claiming it. Understanding who these individuals are will help stakeholders

better design and target interventions. We also hope to publish more accurate estimates of the EITC take-up gap through this collaboration. This effort will examine how take-up varies by race, household composition, income, age, and county. Surveying non-filers from previous experiments on barriers to tax filing could also complement efforts to use administrative data to identify why non-filers are not claiming the credit.

Recommendation 2: *Researchers and government agencies should continue to explore the feasibility and potential benefit of using administrative data to identify Californians who are not taking up social programs for which they may be eligible, including the EITC. Follow-up surveys with non-filers from previous experiments could also complement the potential use of administrative data to identify barriers to tax filing. The current collaboration between the California Policy Lab, the California Department of Social Services, and the Franchise Tax Board is one such step that may help California understand who needs further assistance in claiming the EITC and how best to use EITC outreach resources in future years.*

Interventions aimed at reducing administrative burdens associated with filing may be more successful in encouraging non-filers to take-up the EITC. Our failure to increase filing or claiming points to a second possible explanation for incomplete take-up: filing is too complicated or costly for non-filing, eligible individuals, even with referrals to VITA or online resources. Ultimately, an outreach campaign cannot on its own significantly alter the underlying complexities and administrative burden associated with the process of filing taxes. Potential filers may be discouraged by work needed to collect documentation required to file, the actual costs of filing their taxes or the effort needed to seek free tax preparation assistance (Anderson 2018, Goldin 2018). These barriers, which can confound the average tax filer, pose even greater challenges for Californians in poverty. Very low-income households — especially those with no history of tax filing and those with limited experience interacting with government or completing complicated government forms — may find filing a return especially challenging. While VITA tax preparation services are meant to reduce some of these barriers, they may not be sufficient. For example, increasing the number of locations, operating hours, and online availability of free tax support may be helpful for this population.

Another possible avenue to address administrative burdens associated with filing is to simplify portions of the EITC-claiming process. One approach would be to send eligible, non-filing households pre-populated returns. FTB can identify households' income using records they already receive from employers on earnings. Enrollment data from large statewide programs like Medi-Cal, CalFresh, and CalWORKs could provide a new opportunity to identify how many dependents income-eligible households have. Coupled with income information, this data might allow identification of potentially eligible, non-filing households and estimation of their likely CalEITC claim amount (after the general filing deadline). FTB could complete simplified versions of households' returns and then request households confirm their accuracy. Such an effort would require overcoming challenges associated with data timeliness, accuracy and availability, potential complexity of some households' returns, and the need to protect taxpayer data. Similar to previous efforts by the FTB, pre-populated forms for eligible non-filers would likely be limited to simple returns and the state version of the return. If a new effort is piloted, testing it within a randomized control trial would make it possible to measure its effectiveness at improving EITC claiming rates among non-filers.

Recommendation 3: *As data from the Franchise Tax Board and Department of Social Services are analyzed to better identify and target potentially eligible, non-filing populations, government agencies and service providers should explore the feasibility of reducing administrative burdens associated with filing to encourage non-filers to take-up the EITC. Such efforts could include increasing the availability of free tax preparation assistance or simplifying the tax filing or EITC claiming process for non-filing populations. Government agencies, service providers, and research partners should rigorously evaluate these efforts to determine whether they may be effective at increasing EITC take-up.*

APPENDIX | FTB Letters Experiment

FORMAL, SIMPLE



FRANCHISE TAX BOARD
EITC MS A370
PO BOX 1565
RANCHO CORDOVA CA 95741-1565

first_name middle_name last_name name_suffix
full_address
city, state zip

Important information about the Earned Income Tax Credit.
You may be eligible for a refund.

Formal government formatting

Summary If you or your spouse worked in 2018, you may be eligible for a refund called the Earned Income Tax Credit. We are reaching out to households that might be eligible for the refund but may not have received it before.

The credit provides cash back to Californians who earned income last year. Your refund depends on your family size and how much you earned last year.

You can claim the refund even if you do not owe taxes. Claiming your refund will **not** affect your eligibility for other government programs.

Are you eligible? Visit ftb.ca.gov/Credit to learn more about the credit and see if you are eligible.

Claim your refund File your federal and state tax return to claim your full refund. You can **file for free**.

For free tax preparation help, visit: ftb.ca.gov/Credit

Formal signature

Selvi Stanislaus
Executive Officer
California Franchise Tax Board

中文 | 한국어 | Русский | Tiếng Việt → ftb.ca.gov/Lang1

Link to language translations



FRANCHISE TAX BOARD
EITC MS A370
PO BOX 1565
RANCHO CORDOVA CA 95741-1565

Información importante sobre el Crédito Tributario por Ingreso del Trabajo.

Usted podría ser elegible para un reembolso.

Resumen

Si usted o su cónyuge trabajó en 2018, usted podría ser elegible para un reembolso llamado el Crédito Tributario por Ingreso del Trabajo. Nos estamos comunicando con familias que podrían ser elegibles para el reembolso, pero que tal vez no lo hayan recibido anteriormente.

El crédito proporciona reembolso en efectivo a los californianos que ganaron ingreso el año pasado. Su reembolso depende del tamaño de su familia y cuánto ganó el año pasado.

Usted puede reclamar el reembolso incluso si **no** debe impuestos. Reclamar su reembolso **no** afectará su elegibilidad para otros programas de gobierno.

¿Es usted elegible?

Visite ftb.ca.gov/Credito para conocer más sobre el crédito y para ver si usted es elegible.

Reclame su reembolso

Presente su declaración de impuestos federal y estatal para reclamar su reembolso completo. Puede **presentar su declaración gratuitamente**.

Para servicios gratuitos de preparación de impuestos, visite: ftb.ca.gov/Credito

Selvi Stanislaus
Oficial Ejecutivo
California Franchise Tax Board

中文 | 한국어 | Русский | Tiếng Việt → ftb.ca.gov/Lang1

FORMAL, VITA, AVERAGE BENEFIT



FRANCHISE TAX BOARD
 EITC MS A370
 PO BOX 1565
 RANCHO CORDOVA CA 95741-1565

first_name middle_name last_name name_suffix
 full_address
 city, state zip

Language on average benefit amount

Important information about the Earned Income Tax Credit.

You may be eligible for a refund.

Eligible Californians received an average of \$2,500 in 2018.
 Find out how much money you could get back: ftb.ca.gov/YourMoney

Summary

If you or your spouse worked in 2018, you may be eligible for a refund called the Earned Income Tax Credit. We are reaching out to households that might be eligible for the refund but may not have received it before.

The credit provides cash back to Californians who earned income last year. Eligible Californians received an average of \$2,500 in 2018. Your refund depends on your family size and how much you earned last year.

You can claim the refund even if you do not owe taxes. Claiming your refund will **not** affect your eligibility for other government programs.

Are you eligible? Visit ftb.ca.gov/YourMoney to learn more about the credit and see if you are eligible.

Claim your refund

File your federal and state tax return now to claim your full refund.

A trained tax preparer in your neighborhood can help you **file for free**. Find free help at:

«Site_Name»	Open «Open_Date» to «Close_Date»	Languages spoken
«Address_Line_1»	«hours_1»	«Language»
«Address_Line_2»	«hours_2»	
«City», «State» «Zip»	«hours_3»	
	«hours_4»	
Appointment required?	«hours_5»	
«Appointment»	«hours_6»	
	«hours_7»	

There may be other convenient locations as well. **«call_info_text»** to book an appointment or find out what to bring.

Selvi Stanislaus

Selvi Stanislaus
 Executive Officer
 California Franchise Tax Board

Information on closest VITA site

INFORMAL, SIMPLE



FRANCHISE TAX BOARD
EITC MS A370
PO BOX 1565
RANCHO CORDOVA CA 95741-1565

CalEITC branding



first_name middle_name last_name name_suffix
full_address
city, state zip

{ Important information about the
Earned Income Tax Credit }

YOU MAY BE ELIGIBLE FOR A REFUND!

If you or your spouse worked in 2018, you may be eligible for a refund called the **Earned Income Tax Credit**. We are reaching out to households that might be eligible for the refund but may not have received it before.

The credit provides cash back to Californians who earned income last year. Your refund depends on your family size and how much you earned last year.

You can claim the refund even if you do not owe taxes. Claiming your refund will **not** affect your eligibility for other government programs.

Are you eligible?

CalEITC colors

Visit ftb.ca.gov/CalEITC to learn more about the refund and see if you are eligible.

Claim your refund!

File your federal and state tax return to claim your full refund. **You can file for free.**

For free tax preparation help, visit:

ftb.ca.gov/CalEITC

中文 | 한국어 | Русский | Tiếng Việt → ftb.ca.gov/Lang5

INFORMAL, VITA, AVERAGE BENEFIT



Golden State Opportunity Foundation
553 S. Clarence Street
Los Angeles, CA 90033



endorse
first last sfx
address
city, st zip

Language on average benefit amount

{ Important information about the Earned Income Tax Credit }

YOU MAY BE ELIGIBLE FOR A REFUND!

Eligible Californians received an average of \$2,500 in 2018.
Find out how much money you could get back: CalEITC4Me.org/Refund

If you or your spouse worked in 2018, you may be eligible for a refund called the **Earned Income Tax Credit**. We are reaching out to households that might be eligible for the refund but may not have received it before.

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Are you eligible?

▶ Visit CalEITC4Me.org/Refund to learn more about the refund and see if you are eligible.

Claim your refund!

▶ File your federal and state tax return now to claim your full refund. A trained tax preparer in your neighborhood can help you **file for free**.

Find free help at:

site_name site_address site_city, site_state site_zip	Open open_date to close_date hours_1 hours_2 hours_3 hours_4 hours_5 hours_6 hours_7	Languages spoken: language
Appointment required? appointmen		

There may be other convenient locations as well.
call_info_ to book an appointment or find out what to bring.

Golden State Opportunity Foundation is a non-profit dedicated to a future where all Californians can achieve financial security.

Information on closest VITA site

FTB GSO LETTERS EXPERIMENT



FRANCHISE TAX BOARD
EITC MS A370
PO BOX 1565
RANCHO CORDOVA CA 95741-1565

**Messenger:
FTB v GSO**



Golden State Opportunity Foundation
553 S. Clarence Street
Los Angeles, CA 90033

first_name middle_name last_name name_suffix
full_address
city, state zip

endorse
first last sfx
address
city, st zip

Important information about the Earned Income Tax Credit.

You may be eligible for a refund.

Eligible Californians received an average of \$2,500 in 2018
Find out how much money you could get back: ftb.ca.gov

Summary If you or your spouse worked in 2018, you may be eligible for the Earned Income Tax Credit. We are reaching out to households that might be eligible for a refund but may not have received it before.

The credit provides cash back to Californians who earned an average of \$2,500 in 2018. Your refund depends on your household size and how much you earned last year.

You can claim the refund even if you do not owe taxes. It will **not** affect your eligibility for other government programs.

Are you eligible? Visit ftb.ca.gov/YourMoney to learn more about the credit.

Claim your refund File your federal and state tax return now to claim your refund.

A trained tax preparer in your neighborhood can help you claim your refund at:

«Site_Name»	Open «Open_Date»
«Address_Line_1»	«hours_1»
«Address_Line_2»	«hours_2»
«City», «State» «Zip»	«hours_3»
	«hours_4»

Appointment required?
«Appointment»

There may be other convenient locations for an appointment or find out what to do next.

Formal v Informal



Selvi Stanislaus
Executive Officer
California Franchise Tax Board

YOU MAY BE ELIGIBLE

Eligible Californians received an average of \$2,500 in 2018.
Find out how much money you could get back: ftb.ca.gov

If you or your spouse worked in 2018, you may be eligible for the Earned Income Tax Credit. We are reaching out to households that might be eligible for a refund but may not have received it before.

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You can claim the refund even if you do not owe taxes. It will **not** affect your eligibility for other government programs.

Are you eligible?

Claim your refund!

Find free

site_name	Open open_date to close_date
site_address	hours_1
site_city, site_state site_zip	hours_2
	hours_3
	hours_4
Appointment required?	hours_5
appointment	hours_6
	hours_7

There may be other convenient locations for an appointment or find out what to do next. **call_info_** to book an appointment.

Golden State Opportunity Foundation is a non-profit dedicated to...

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