



**The time has come to consider new, bold ways to make our economy work again for all Americans.**

The Economic Security Project is a network of policymakers, academics, organizers and technologists working to end poverty and rebuild a strong middle class through a guaranteed income. The initiatives we organize and support focus on immediate opportunities to help families make ends meet and long-term strategies that promote a vision of economic dignity and freedom for all Americans.

## Join us.

If you're excited by bold initiatives and share our belief that we're at a moment in history that requires urgent and audacious responses to entrenched poverty and a rapidly-changing economy, then we want to hear from you. To learn more about how you can become part of our network, please reach out to us at [hello@economicsecurityproject.org](mailto:hello@economicsecurityproject.org).

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# The California Cost-of-Living Refund

## OVERVIEW FOR DECISION-MAKERS

**The Cost-of-Living Refund puts cash into working Californians' pockets by modernizing the EITC. It will:**

1. **Help working people face the rising cost of living and housing**, with a leg up out of poverty or a cushion of financial stability.
2. **Fight rising inequality** that threatens our democracy.
3. **Make taxes fairer**, so the wealthiest pay their fair share.
4. **Build on a high minimum wage**, so workers earn enough to live.

## THE COST OF LIVING AND INEQUALITY ON THE RISE

The steep and rising cost of living, coupled with stagnating incomes, means too many families cannot take part in the American promise: If you work hard, you can get ahead in our country. Many people live on the financial brink, as the cost of middle-class life has dramatically increased—from housing to childcare to medical costs—while wages lag behind.

At the same time, income inequality is at a peak. While 64 million low-wage workers—predominantly people of color—struggle to make ends meet, in the words of a working-class voter, **“The rich are getting richer while everyone else is stuck.”** The tax code exacerbates this problem: Even in California, low-income people pay as much of their income in taxes as the top 1 percent.

As a simple and effective approach to fight rising economic inequality and financial instability, **we need to put more money back in the pockets of the working and middle class people who need it most.**

## THE COST-OF-LIVING REFUND

The Cost-of-Living Refund, established by modernizing and expanding the state Earned Income Tax Credit (EITC), is a powerful and practical plan to provide relief to low-income and middle-class people.

On the merits, there is no simpler or better-tested policy to provide economic stability to working and middle-class people. The existing EITC already lifts more families out of poverty than food stamps, housing subsidies, and unemployment insurance combined, because **cash gives people the tools to solve their own problems.** Today, 57% of Americans don't have enough cash on hand to cover a \$500 unforeseen expense, with significantly worse rates among people of color. Four in ten people report difficulty meeting their basic needs. As a working-class woman said in a focus group, “I'm one emergency away from financial ruin.”

Another working-class woman added that anyone asking whether \$100 a month is enough to matter to a recipient “has never had to choose between groceries and rent.” Yet, in its current form, the EITC cannot fully address the needs of hard-working families in an economy shaped by low-wage work and high concentrations of wealth.

The Cost-of-Living Refund builds on the state EITC to reduce the poverty rate substantially and create a foundation for economic mobility:

**This plan raises taxes on the top 1-2% and helps nearly half of all households.**

- **Benefits nearly half the population.** This policy is designed to benefit about 40% of all households in California, including more than half of all children.
- **Makes a simple promise to voters.** "If you work and you earn less than \$75,000, you get a Cost-of-Living Refund of \$1,200 extra cash a year, and if you have kids, you get more."
- **Reaches low-income and middle-class families.** The poorest people and families with children benefit the most under this plan, significantly reducing child poverty, while also supporting people in the middle class who desperately need financial stability. Because people of color and rural residents have higher levels of poverty, it provides a significant boost to these communities.
- **Excites voters seeking new economic solutions.** A framework that resonates with the public, this policy polls well, and remains popular with voters even after negative arguments. It is particularly popular with the Rising American Electorate and other less-likely voters, giving them an additional reason to turn out on Election Day.
- **Complements a \$15 minimum wage.** The minimum wage sets a solid floor for low-wage workers, pushing back against potential wage decline, and thus couples well with the many positive aspects of the EITC.
- **Provides a pro-worker and pro-family policy that is a bold response to federal tax cuts.** Addresses the tax cuts that dramatically benefit the wealthy, restoring the share of taxes paid by top earners and cutting taxes instead for working people who are hit harder by sales and gas taxes.
- **Offers a progressive answer to future of work questions.** With 40% of workers now in the gig economy, part-time jobs, or other contingent work, it's important that those with precarious work lives have financial stability. A Cost-of-Living Refund can also soften the blow of the transition

caused by the impact of automation and artificial intelligence on American jobs, or help workers afford time to gain new skills.

Alongside affordable health care, higher wages, better working conditions, high-quality public education, and robust public services, a guaranteed income that puts cash in the pocket of hard-working Americans every month and stabilizes families' economic lives is a critical part of helping people make their way in this economy and beginning to address the racial wealth gap.

**TAX CREDIT POLICY DETAILS**

We modernize and expand the EITC by:

- Providing a basic credit of at least \$1,200 a year to most recipients while families with three or more children receive more than \$3,000.
- Covering middle-class people earning up to \$75K, shifting the frame away from a "handout."
- Expanding the definition of work by including caregivers and students.
- Creating an option to receive the benefit monthly.
- Turning the EITC from an opt-in to an opt-out, to make sure all recipients receive their benefits.
- The policy can also add workers with Individual Tax ID numbers, so all work is rewarded.
- Funding it with a tax boost on the top 1-2%. In California, the bottom 20% pay more of their income in state and local taxes than the top 20%, and nearly as much as the top 1%. On the heels of federal tax cuts on the wealthy, we can increase taxes on top earners to make taxes more fair.

Recipients (% state residents)	Child Recipients (% state children)	Cut in Child Poverty (Cut in overall poverty)	People of Color: % of Recipients (% of Tax Filers)	Cost/Revenue
15.1 million (40% of residents)	5.9 million (54% of children)	13% cut in child poverty* (10% cut in all poverty*)	73% of recipients* (vs. 66% of taxpayers)	\$7.8 billion

Data from ITEP, CA Budget & Policy Center. \* denotes data on earlier version of the policy, with \$50,000 income ceiling and 50% match of federal EITC