

¹ The claim denied by respondent is comprised of the Earned Income Tax Credit (EITC) of \$2,078, plus the Young Child Tax Credit (YCTC) of \$1,083, which equals \$3,161.

letter (Refund Pending Letter) requesting additional information to validate appellant's eligibility for the EITC and the YCTC, including proof of appellant's identification, her relationship to and the address of her children, and her self-employment income. With respect to the EITC, as relevant here, respondent requested bank or credit card statements reporting business income, and any certification, license, permit, or registration required for the business related to the reported business income.

3. In response to the Refund Pending Letter, appellant provided social security cards and birth certificates for her children, and a letter stating, "I was self employed [in 2022] and paid mostly in cash and wasn't provided a form 1099."
4. Respondent then sent appellant an Earned Income Tax Credit – Denial letter to deny appellant's claim for refund of \$3,161 (EITC of \$2,078 plus YCTC of \$1,083).
5. Appellant filed this timely appeal. On appeal, appellant provides four sales invoices issued by vendor "Royal Prestige" to four separate customers for undisclosed products with no sales price listed, and four handwritten receipts claiming appellant received cash payments totaling \$13,440 from four customers for the Royal Prestige orders.
6. During this appeal, respondent concedes that appellant is entitled to the YCTC in the amount of \$1,083 based upon California amendments to R&TC section 17052.1, which are applicable to the 2022 tax year.²

DISCUSSION

California enacted the California EITC based on the federal EITC (codified at Internal Revenue Code (IRC) section 32), subject to various modifications. (R&TC, § 17052; *Appeal of Akhtar*, 2021-OTA-118P.) To qualify for the California EITC, a taxpayer must have "earned income." (R&TC, § 17052(a)(1); IRC, § 32(a)(1).) The term "earned income" means wages, salaries, tips, and other employee compensation includible in gross income and, for California purposes, only if such amounts are subject to withholding pursuant to Division 6 (commencing with section 13000) of the Unemployment Insurance Code for the taxable year. (R&TC, § 17052(c)(4)(A); IRC, § 32(c)(2)(A)(i).) The term "earned income" also includes the taxpayer's net earnings from self-employment for the taxable year. (R&TC, § 17052(c)(4)(B); IRC, § 32(c)(2)(A)(ii).) Net earnings from self-employment generally includes, with some exclusions,

² For tax years beginning on or after January 1, 2022, R&TC section 17052.1(b)(1)(B)(i) allows a qualified taxpayer, who has at least one qualifying child, to claim the YCTC when the taxpayer has "zero dollars (\$0) or less" of earned income and also meets the requirements of R&TC section 17052.1(b)(1)(B)(ii) and (iii). Respondent determined appellant meets these requirements, and OTA does not further address this item.

the gross income derived by an individual from any trade or business carried on by such individual, less the allowable deductions. (IRC, §§ 32(c)(2)(A)(ii), 1402(a).)

Tax credits are a matter of legislative grace, and taxpayers bear the burden of proving they are entitled to claimed tax credits. (*Appeals of Swat-Fame, Inc., et al.*, 2020-OTA-046P.) Except as otherwise provided by law, the burden of proof requires proof by a preponderance of the evidence. (Cal. Code Regs., tit. 18, § 30219(b).) To meet this evidentiary standard, a taxpayer must establish by documentation or other evidence that the circumstances he or she asserts are more likely than not to be correct. (*Appeal of Estate of Gillespie*, 2018-OTA-052P.)

Appellant asserts that she was self-employed during the 2022 tax year. During this appeal, appellant provides four sales invoices issued by vendor “Royal Prestige” to four separate customers for undisclosed products with no sales price listed, and four handwritten receipts from the buyers of these products showing payments to appellant totaling \$13,440 for the Royal Prestige orders. However, appellant does not provide a certification, license, permit, or registration required for the business license to prove her relationship to Royal Prestige, or copies of written agreements between appellant and Royal Prestige, a declaration from a manager attesting to appellant’s role, or a Form 1099 issued by Royal Prestige confirming the purported income received by appellant. Thus, appellant has not met her burden of proof to establish her relationship with Royal Prestige, or that any economic transaction occurred between Royal Prestige and the buyers listed on the invoices that appellant provides. As a result, appellant is not entitled to the EITC.

HOLDING

Appellant is not entitled to the EITC for the 2022 tax year.

DISPOSITION

Respondent's action is modified to allow the YCTC of \$1,083 for the 2022 tax year as conceded by respondent. Respondent's action is otherwise sustained.

Signed by:



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Seth Elsom
Hearing Officer

We concur:

Signed by:



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Natasha Ralston
Administrative Law Judge

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Erica Parker
Hearing Officer

Date Issued: 7/29/2025