



House Bill 23-1006, Employer Notification of EITC & CTC Tax Credits

Legislative Fact Sheet
January 20, 2023

Sponsors: Representative Young, Representative Daugherty, & Senator Exum

Background:

The federal and state Earned Income Tax Credit (EITC) and Child Tax Credits (CTC) offer low- and middle-income households thousands of dollars in income support each year but often go unclaimed (detailed below). These credits have been shown to encourage work, improve family health and education outcomes, improve child birth weight and nutrition, reduce recidivism, and are income supplements that boost workers' overall take-home earnings, which is in the interest of employers.

In Tax Year 2019 (returns filed in 2020 - the most recent year for which there is data), about \$270M in federal EITC credits went unclaimed by Colorado residents, and it's likely that at least \$515M in federal CTC credits went unclaimed. Amounts are likely higher today and don't include unclaimed state EITC credits.

| TAX CREDIT: | HOW TO QUALIFY: | POTENTIAL RETURN ¹ : |
|-----------------------------------|---|----------------------------------|
| Federal & State EITC ² | Income thresholds and potential returns vary by household size, but married households with three or more children may be eligible up to \$59k in income, with other-sized households eligible up to lower levels of income | Up to \$8,322 |
| Federal CTC ³ | Individual must have children under 17 years old | Up to \$2,000/child or dependent |
| State CTC | Individual must have income below \$75k; children under 6 years old | Up to \$1,200/child or dependent |

Summary of Legislation:

House Bill 23-1006 requires employers to notify employees of their potential eligibility for the federal and state EITC & CTC credits, which would bolster our current tax credit outreach and tax filing assistance project, run by the Colorado Department of Public Health and Environment's (CDHPE) economic mobility team. By implementing such notification requirements in statute, Colorado would follow the lead of Texas, New Jersey, and eight other states.

The Department of Revenue (DOR) will provide sample text for employers to use to notify their employees about the tax credits potentially available to them. This sample text will also be translated into a variety of languages and include a link to a website with free tax help resources.

This new notification requirement would not be duplicative of federal efforts because these notification requirements go beyond IRS-required notification, for which employers only have to send to W-2 employees who have no income tax withheld. In general, these measures have experienced wide bipartisan support and little to no opposition in legislative committees. Additionally, focusing on just the federal and state EITC and CTC limits this notification to the credits which are shown to decrease poverty and increase family economic/health outcomes the most, reducing the administrative burden on employers.

Fiscal Impact: None.

¹) Based on the most recent year of federal tax data.

²) Colorado is tied for the fifth-lowest EITC claims rate in the US.

³) In 2021, the Department of Treasury estimated that at least 36,763 children in Colorado are at risk of missing out on the CTC.

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Tax Credit Outreach in Colorado

PROJECT GOAL:

INCREASE TAX CREDIT CLAIMS IN COLORADO TO REDUCE CHILD AND HOUSEHOLD POVERTY

The project uses new and existing partnerships to increase outreach and referral to free tax filing, with a focus on populations who can benefit most but are not claiming tax credits owed to them. These groups include rural and non-English-speaking households, immigrants, refugees, and low-wage workers.



IMPACT

Research indicates that income from tax credits benefits individuals at every stage of life. Children whose families receive tax credits do better in school, are more likely to attend college, and can be expected to earn more as adults. The recently expanded federal child tax credit is estimated to have the power to lift 40% of children out of poverty. Expanded tax credits:

- Reduce child and household poverty
- Boost food security
- Improve childhood nutrition
- Incentivize employment
- Reduce child maltreatment, trauma, adverse childhood events (ACEs)
- Reduce recidivism rates

KEY STRATEGIES

- 1) **Outreach, dissemination and communications activities** designed to:
 - A) increase awareness of the benefits of the Earned Income Tax Credit (EITC), Child Tax Credit (CTC) and Child & Dependent Care Tax Credit (CDCTC) and how to claim tax refunds among Coloradans who do not file taxes; and
 - B) improve coordination among cross-sector partners to increase awareness and uptake of benefits among low-wage Coloradans.
- 2) **Navigation and referral activities** designed to increase referrals to tax filing, including partnerships with Volunteer Income Tax Assistance (VITA) sites.

40%

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PARTNERSHIPS

A network of new and existing partnerships support outreach, communications, and referral activities aimed at increasing tax filing. Partnership activities include:

- Facilitating a state agency workgroup convened by the Governor to support outreach and alignment across state agencies including health policy, public health, human services, education, public safety, employment, and economic development.
- Collaborating with programs including Bright by Text, HungerFree Colorado, 2-1-1, Denver Housing Authority and the Colorado Benefits Management System to get the word out across Colorado to those who can benefit most.
- Close collaboration and funding of Mile High United Way's Tax Help Colorado and other volunteer income tax assistance sites to connect more Coloradans to free tax help through free call center and in-person tax assistance.
- New collaborations with AmeriCorps and Code For America to offer Coloradans services such as free online tax filing, remote tax filing options, and free in-person tax help through a statewide network of Volunteer Income Tax Assistance (VITA) sites and clinics.
- Building relationships and contracting navigator services with small community-based organizations to reach immigrant and refugee communities.

COMMUNICATIONS

- English and Spanish tax credit outreach campaigns – [Get Ahead Colorado](#) and [Hacia Adelante Colorado](#) – encourage Coloradans to file their taxes and connect them to information and free tax filing.
- Each campaign reaches Coloradans through a combination of statewide radio and texting campaigns as well as digital search, display, and social media advertising and campaign websites in English and Spanish.
- An open-access partner toolkit of free campaign resources including flyers, brochures, social media content, and newsletter messages to help us spread the word. Resources are available in multiple languages. Visit: www.getaheadcolorado.org/outreach
- To address disparities in tax filing and tax credit uptake, outreach and communication is focused on reaching non-filers who are not engaged with the IRS, usually because their income is too low to require filing taxes. Non-filers tend to be disproportionately low income, non-English speaking, and rural residents, including residents who do not have a social security number and would need a tax ID number to file (ITIN number).



2022 ACCOMPLISHMENTS

- Launched statewide media campaign (getaheadcolorado.org/ haciaadelantecolorado.org) including TV, statewide radio, partner toolkit, social media and text blasts in English and Spanish, including videos in 11 languages about the child tax credit.
- Leveraging numerous public health and human services programs to get the word out, including training 2-1-1 operators statewide on phone and web-based support.
- Using cross-program and cross-agency promotion to couple tax outreach with other benefits, for example using the Colorado Department of Labor's unemployment insurance application website to also promote tax credits.
- Supporting Volunteer Income Tax Assistance (VITA) sites that provide free in-person tax assistance to low-income filers through grants and partnership.
- Leveraging an AmeriCorps partnership to place two National Civilian Community Corps volunteer teams at two of the largest VITA site networks in the state; resulting in millions of dollars so far in additional tax refund claims this tax season.
- Contracting with community-based organizations to reach immigrant and refugee communities using trusted voices.

FUNDING

The program secured \$1.7 million to support tax credit outreach and communication efforts in advance of the 2022 tax season, with the potential to add additional funds over the next two years. Funding sources include Gary Community Ventures, the US Department of Labor Women's Bureau, and CARES and American Rescue Plan federal pandemic recovery funds. In 2022, SB182 passed into law, securing 4 million in funding to continue outreach and support community partnerships to increase filing.

LEARN MORE

Visit getaheadcolorado.org
Visita haciaadelantecolorado.org

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