

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

DRAFT
10.11.21

BILL 1

LLS NO. 22-0202.02 Ed DeCecco x4216

INTERIM COMMITTEE BILL

Early Childhood and School Readiness Legislative Commission

BILL TOPIC: "Early Childhood Educator Income Tax Credit"

A BILL FOR AN ACT

101 **CONCERNING AN INCOME TAX CREDIT FOR ELIGIBLE EARLY**
102 **CHILDHOOD EDUCATORS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Early Childhood and School Readiness Legislative Commission. For 5 income tax years, the bill creates a refundable income tax credit for an eligible early childhood educator who:

- ! Has an adjusted gross income below specified thresholds;
and
- ! For at least 6 months of the taxable year, holds an early

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

childhood professional credential and is either the head of a family child care home or is employed with an eligible early childhood education program or a family child care home.

The bill specifies that an early childhood education program must have achieved at least a level 2 quality rating under the Colorado shines quality rating and improvement system and either have fiscal agreements with the Colorado child care assistance program or meet the federal early head start or head start standards for a program. The amount of the credit is dependent on the eligible early childhood educator's credentialing level and is annually adjusted for inflation.

The department of human services, or a successor department, is required to provide the department of revenue with an electronic report of each individual who held an early childhood professional credential during the previous calendar year for which the credit is allowed.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-543 as
3 follows:

4 **39-22-543. Early childhood educator income tax credit - tax**
5 **preference performance statement - legislative declaration -**
6 **definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY FINDS AND
7 DECLARES THAT:

8 (I) THE BENEFITS OF QUALITY CHILD CARE AND EARLY CHILDHOOD
9 EDUCATION ARE WELL DOCUMENTED AND A STRIKING CONNECTION EXISTS
10 BETWEEN CHILDREN'S LEARNING EXPERIENCES WELL BEFORE
11 KINDERGARTEN AND THEIR LATER SCHOOL SUCCESS;

12 (II) SMALL BUSINESS OWNERS AND PARENTS WHO RELY ON CHILD
13 CARE TO WORK WOULD ALSO EXPERIENCE LOWER TURNOVER IN CHILD
14 CARE STAFF WHEN EARLY CHILDHOOD EDUCATORS EXPERIENCE BETTER
15 ECONOMIC STABILITY; AND

16 (III) WHEN EARLY CHILDHOOD EDUCATORS IMPROVE THE QUALITY
17 OF THEIR EDUCATION BY RECEIVING EARLY CHILDHOOD PROFESSIONAL

1 CREDENTIALS OR ATTAINING HIGHER CREDENTIAL LEVELS, IT IMPROVES
2 THE QUALITY OF CHILDREN'S EARLY LEARNING EXPERIENCES.

3 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), THE PURPOSE OF
4 THIS TAX EXPENDITURE IS TO:

5 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
6 WHICH IN THIS INSTANCE IS FOR EARLY CHILDHOOD EDUCATORS TO
7 RECEIVE AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL OR TO ATTAIN
8 HIGHER CREDENTIAL LEVELS; AND

9 (II) PROVIDE TAX RELIEF FOR EARLY CHILDHOOD EDUCATORS.

10 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
11 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE
12 SPECIFIED IN SUBSECTION (1)(b)(I) OF THIS SECTION BASED ON A
13 COMPARISON OF THE NUMBER OF EARLY CHILDHOOD PROFESSIONAL
14 CREDENTIALS AT THE VARIOUS LEVELS BEFORE AND WITH THE CREDIT.

15 (d) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
16 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE
17 SPECIFIED IN SUBSECTION (1)(b)(II) OF THIS SECTION BASED ON THE
18 NUMBER OF CREDITS THAT ARE CLAIMED.

19 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
20 REQUIRES:

21 (a) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

22 (b) "EARLY CHILDHOOD PROFESSIONAL CREDENTIAL" MEANS THE
23 EARLY CHILDHOOD PROFESSIONAL CREDENTIALS ISSUED BY THE
24 DEPARTMENT OF EDUCATION, OR A SUCCESSOR DEPARTMENT, AND
25 DESIGNATED AS EARLY CHILDHOOD PROFESSIONAL I, EARLY CHILDHOOD
26 PROFESSIONAL II, EARLY CHILDHOOD PROFESSIONAL III, EARLY
27 CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD PROFESSIONAL V, AND

1 EARLY CHILDHOOD PROFESSIONAL VI.

2 (c) "ELIGIBLE EARLY CHILDHOOD EDUCATOR" MEANS AN
3 INDIVIDUAL WHO:

4 (I) HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL
5 TO SEVENTY-FIVE THOUSAND DOLLARS FOR AN INDIVIDUAL FILING A
6 SINGLE RETURN, OR HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN
7 OR EQUAL TO EIGHTY-FIVE THOUSAND DOLLARS FOR AN INDIVIDUAL FILING
8 A JOINT RETURN; AND

9 (II) FOR AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR
10 WHICH THE CREDIT IS CLAIMED:

11 (A) HOLDS AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL FOR
12 AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR WHICH THE CREDIT
13 IS CLAIMED; AND

14 (B) IS EITHER THE LICENSEE OF AN ELIGIBLE PROGRAM OR
15 EMPLOYED BY AN ELIGIBLE PROGRAM.

16 (d) "ELIGIBLE PROGRAM" MEANS EITHER AN EARLY CHILDHOOD
17 EDUCATION PROGRAM AS DEFINED IN SECTION 26-6.5-101.5 (6.5), OR A
18 LICENSED FAMILY CHILD CARE HOME. AN ELIGIBLE PROGRAM MUST:

19 (I) HAVE HELD AT LEAST A LEVEL TWO QUALITY RATING PURSUANT
20 TO THE COLORADO SHINES QUALITY RATING AND IMPROVEMENT SYSTEM
21 ESTABLISHED IN SECTION 26-6.5-106 FOR THE INCOME TAX YEAR FOR
22 WHICH THE CREDIT IS CLAIMED; AND

23 (II) FOR THE INCOME TAX YEAR FOR WHICH THE CREDIT IS
24 CLAIMED, EITHER:

25 (A) HAVE FISCAL AGREEMENTS WITH THE CHILD CARE ASSISTANCE
26 PROGRAM, OR CCCAP, ESTABLISHED IN PART 8 OF ARTICLE 2 OF TITLE 26;
27 OR

1 (B) MEET THE FEDERAL STANDARDS FOR AN EARLY HEAD START
2 OR HEAD START PROGRAM.

3 (e) "FAMILY CHILD CARE HOME" HAS THE SAME MEANING AS SET
4 FORTH IN SECTION 26-6-102 (13).

5 (f) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE
6 UNITED STATES DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS
7 CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL
8 ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR
9 INDEX.

10 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
11 JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2027, AN ELIGIBLE EARLY
12 CHILDHOOD EDUCATOR IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED
13 BY THIS ARTICLE 22 IN AN AMOUNT AS SET FORTH IN SUBSECTION (3)(b) OF
14 THIS SECTION.

15 (b) (I) EXCEPT AS PROVIDED IN SUBSECTION (3)(b)(II) OF THIS
16 SECTION, THE AMOUNT OF THE CREDIT EQUALS, FOR:

17 (A) FIVE HUNDRED DOLLARS FOR AN EARLY CHILDHOOD
18 PROFESSIONAL I, EARLY CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD
19 PROFESSIONAL V, OR AN EARLY CHILDHOOD PROFESSIONAL VI;

20 (B) SEVEN HUNDRED FIFTY DOLLARS FOR AN EARLY CHILDHOOD
21 PROFESSIONAL II; AND

22 (C) ONE THOUSAND DOLLARS FOR AN EARLY CHILDHOOD
23 PROFESSIONAL III.

24 (II) FOR THE INCOME TAX YEARS COMMENCING ON OR AFTER
25 JANUARY 1, 2023, THE DEPARTMENT SHALL ADJUST THE CREDIT AMOUNTS
26 SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION TO REFLECT
27 INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED

1 IN THIS SECTION IS ALLOWED.

2 (c) EACH ELIGIBLE EARLY CHILDHOOD EDUCATOR IS ONLY
3 ALLOWED ONE CREDIT PER INCOME TAX YEAR, EVEN IF THE ELIGIBLE
4 EARLY CHILDHOOD EDUCATOR EARNS A HIGHER LEVEL EARLY CHILDHOOD
5 PROFESSIONAL CREDENTIAL IN THE SAME YEAR. IN SUCH CASE, THE
6 ELIGIBLE EARLY CHILDHOOD EDUCATOR'S CREDIT IS BASED ON THE
7 HIGHEST EARLY CHILDHOOD PROFESSIONAL CREDENTIAL ATTAINED
8 DURING THE INCOME TAX YEAR.

9 (4) THE AMOUNT OF THE CREDIT UNDER THIS SECTION THAT
10 EXCEEDS THE ELIGIBLE EARLY CHILDHOOD EDUCATOR'S INCOME TAXES
11 DUE IS REFUNDED TO THE ELIGIBLE EARLY CHILDHOOD EDUCATOR.

12 (5) NO LATER THAN JANUARY 1, 2023, AND EACH JANUARY 1
13 THEREAFTER THROUGH JANUARY 1, 2027, THE DEPARTMENT OF HUMAN
14 SERVICES, OR A SUCCESSOR DEPARTMENT, SHALL PROVIDE THE
15 DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF EACH
16 INDIVIDUAL WHO HELD AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL
17 DURING THE PREVIOUS CALENDAR YEAR FOR WHICH THE CREDIT IS
18 ALLOWED. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING
19 INFORMATION IN THE REPORT, IF AVAILABLE:

20 (a) THE NAME OF THE INDIVIDUAL WHO HOLDS THE EARLY
21 CHILDHOOD PROFESSIONAL CREDENTIAL;

22 (b) THE INDIVIDUAL'S SOCIAL SECURITY NUMBER OR TAX
23 IDENTIFICATION NUMBER;

24 (c) THE HIGHEST LEVEL OF EARLY CHILDHOOD PROFESSIONAL
25 CREDENTIAL HELD BY THE INDIVIDUAL DURING THE YEAR; AND

26 (d) THE LENGTH OF TIME THAT THE INDIVIDUAL HELD AN EARLY
27 CHILDHOOD PROFESSIONAL CREDENTIAL AT ANY LEVEL.

1 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2031.

2 **SECTION 2. Act subject to petition - effective date.** This act
3 takes effect at 12:01 a.m. on the day following the expiration of the
4 ninety-day period after final adjournment of the general assembly; except
5 that, if a referendum petition is filed pursuant to section 1 (3) of article V
6 of the state constitution against this act or an item, section, or part of this
7 act within such period, then the act, item, section, or part will not take
8 effect unless approved by the people at the general election to be held in
9 November 2022 and, in such case, will take effect on the date of the
10 official declaration of the vote thereon by the governor.