

Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO

DRAFT
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BILL 16

LLS NO. 20-0239.01 Ed DeCecco x4216

INTERIM COMMITTEE BILL

Tax Expenditure Evaluation Interim Study Committee

BILL TOPIC: "Child Care Expenses Income Tax Credits"

A BILL FOR AN ACT

101 **CONCERNING INCOME TAX CREDITS FOR CHILD CARE EXPENSES.**

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/>.)

Tax Expenditure Evaluation Interim Study Committee. There are currently 2 state income tax credits that relate to child care expenses. The first (traditional credit) applies to any individual with an adjusted gross income (AGI) of \$60,000 or less, and it is equal to 50% of a similar federal income tax credit (federal credit). The federal credit is not refundable, so if the individual has no federal tax liability, then he or she is ineligible for the traditional credit. The second credit (alternate credit) applies to taxpayers with an AGI of \$25,000 or less and who have

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

insufficient income tax liability to claim the traditional credit but would have otherwise qualified for the federal credit. The alternate credit is equal to 25% of the child care expenses up to a cap.

Beginning with the 2020 income tax year, the bill modifies the alternate credit by permitting all individuals who have an AGI that is less than or equal to \$35,000 to claim the credit regardless of whether they claimed or qualified for the federal credit, so long as the individual does not also claim the traditional credit. Thus, individuals who earn less than \$35,000 will be able to claim either the traditional credit or the alternate credit, depending on which is more advantageous. In addition, the cap on the alternate credit is increased from \$500 to \$525 for one dependent and from \$1,000 to \$1,050 for 2 or more dependents.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-119.5, **amend**
3 (1)(a)(IV), (1)(a)(V), (1)(b), (3)(a) introductory portion, and (3)(b)
4 introductory portion; and **add** (3)(a.7) and (3)(b.5) as follows:

5 **39-22-119.5. Expenses related to child care - adjusted gross**
6 **income - thirty-five thousand dollars or less - credits against state tax**
7 **- legislative declaration - definitions.** (1) (a) The general assembly
8 hereby finds and declares that:

9 (IV) The credit in section 39-22-119 is ~~currently based on~~ HALF
10 OF the amount claimed for a similar federal credit;

11 (V) As a result, some ~~low-income~~ families are not receiving the
12 state child care expenses tax credit because they fail to file a federal
13 return or, based on their income taxes owed, are ineligible for a federal
14 credit, OR THEY RECEIVE AN INADEQUATE CREDIT; and

15 (b) Now, therefore, the general assembly declares that the
16 intended purpose for creating and extending the term of the tax credit in
17 this section is to fix the Colorado child care expenses income tax credit
18 so that all ~~low-income~~ working families WHO EARN THIRTY-FIVE
19 THOUSAND DOLLARS OR LESS are able to claim ~~the~~ A STATE credit

1 regardless of THAT IS NOT BASED ON the amount of their federal child care
2 expenses credit.

3 (3) (a) For income tax years beginning on and after January 1,
4 2014, but prior to January 1, 2017, and for income tax years beginning on
5 and after January 1, 2018, but prior to January 1, ~~2029~~ 2020, a resident
6 individual is allowed a credit against the taxes due under this article 22
7 for child care expenses that the individual incurred during the taxable
8 year if:

9 (a.7) FOR INCOME TAX YEARS BEGINNING ON AND AFTER JANUARY
10 1, 2020, BUT PRIOR TO JANUARY 1, 2029, A RESIDENT INDIVIDUAL IS
11 ALLOWED A CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 FOR
12 CHILD CARE EXPENSES THAT THE INDIVIDUAL INCURRED DURING THE
13 TAXABLE YEAR IF:

14 (I) THE INDIVIDUAL HAS AN ADJUSTED GROSS INCOME OF
15 THIRTY-FIVE THOUSAND DOLLARS OR LESS;

16 (II) THE EXPENSES ARE FOR THE CARE OF A DEPENDENT OF THE
17 TAXPAYER WHO IS LESS THAN THIRTEEN YEARS OLD;

18 (III) THE INDIVIDUAL CLAIMED THE CREDIT FOR THE EXPENSES
19 UNDER SECTION 21 OF THE INTERNAL REVENUE CODE, OR ANY SUCCESSOR
20 SECTION, OR WOULD BE ALLOWED A CREDIT FOR THE EXPENSES UNDER
21 SAID SECTION IF HE OR SHE HAD SUFFICIENT TAX LIABILITY TO CLAIM THE
22 CREDIT; AND

23 (IV) THE INDIVIDUAL DOES NOT CLAIM A CREDIT UNDER SECTION
24 39-22-119 FOR THE SAME INCOME TAX YEAR.

25 (3) (b) FOR INCOME TAX YEARS BEGINNING PRIOR TO JANUARY 1,
26 2020, the credit is equal to twenty-five percent of the resident individual's
27 child care expenses; except that the maximum amount of a credit that a

1 resident individual is allowed under this section is:

2 (b.5) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY
3 1, 2020, THE CREDIT IS EQUAL TO FIFTY PERCENT OF THE RESIDENT
4 INDIVIDUAL'S CHILD CARE EXPENSES; EXCEPT THAT THE MAXIMUM
5 AMOUNT OF A CREDIT THAT A RESIDENT INDIVIDUAL IS ALLOWED UNDER
6 THIS SECTION IS:

7 (I) FIVE HUNDRED TWENTY-FIVE DOLLARS FOR A SINGLE
8 DEPENDENT; OR

9 (II) ONE THOUSAND FIFTY DOLLARS FOR TWO OR MORE
10 DEPENDENTS.

11 **SECTION 2. Act subject to petition - effective date.** This act
12 takes effect at 12:01 a.m. on the day following the expiration of the
13 ninety-day period after final adjournment of the general assembly (August
14 5, 2020, if adjournment sine die is on May 6, 2020); except that, if a
15 referendum petition is filed pursuant to section 1 (3) of article V of the
16 state constitution against this act or an item, section, or part of this act
17 within such period, then the act, item, section, or part will not take effect
18 unless approved by the people at the general election to be held in
19 November 2020 and, in such case, will take effect on the date of the
20 official declaration of the vote thereon by the governor.