



Legislative Council Staff

Research Note

Version: Final

Date: 3/4/2016

Bill Number

House Bill 16-1045

Sponsors

*Representative Singer
Senator Merrifield, Senator
Kefalas*

Short Title

Starting The Child Tax Credit

Research Analyst

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Status

This research note reflects the final version of the bill. This bill was postponed indefinitely by the House Finance Committee on March 2, 2016.

Summary

This bill, ***requested by the Early Childhood and School Readiness Legislative Commission***, repeals the contingent start of the refundable Colorado child tax credit, allowing the credit to be claimed beginning in tax year 2016. Under current law, the credit becomes effective beginning with tax year 2016 only if Congress passes the Marketplace Fairness Act (or similar legislation). The Marketplace Fairness Act is a federal bill that requires out-of-state retailers to collect and remit sales taxes to states that have met minimum simplification requirements for sales tax administration. To date, Congress has not passed the bill or an alternate measure with similar requirements.

Under this bill, beginning in tax year 2016, qualifying taxpayers may claim a refundable state income tax credit equal to 30 percent, 15 percent, or 5 percent of the federal child tax credit depending on their federal adjustable gross income (AGI). The credit is capped for single filers at an AGI of \$75,000, and for joint filers at an AGI of \$85,000.

Background

The Early Childhood and School Readiness Legislative Commission (commission) studies issues concerning early childhood and school readiness. The commission looks at topics ranging from health care, mental health, parental involvement, family support, child care, and early learning.

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Senate Bill 13-001 created a refundable tax credit equal to a percentage of the federal child tax credit. The credit can be claimed beginning in tax year 2016, contingent upon the passage of the Marketplace Fairness Act (or similar legislation). To date, Congress has not passed the Marketplace Fairness Act. Under current law, the Colorado child tax credit is limited to qualifying taxpayers who have a federal AGI at or below \$75,000 for single filers at and below \$85,000 for joint filers. The allowable credit is calculated as a percent of the federal credit claimed and differs based on taxpayer AGI.

Status

House Finance Committee (March 2, 2016). At the hearing, representatives from 9to5 Colorado, the Colorado Fiscal Institute, the Colorado Center on Law and Policy, and the Bell Policy Center testified in support of the bill. The committee postponed the bill indefinitely.

Relevant Research

Legislative Council Staff, *Early Childhood and School Readiness Legislative Commission*, December 2015: <http://tinyurl.com/h4r76tb>