



HB 24-1311

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Demographic Note

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Prime Sponsors: Rep. deGruy Kennedy; Willford
Sen. Winter F.; Coleman

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Bill Topic: **FAMILY AFFORDABILITY TAX CREDIT**

Demographics Analyzed:

- Socioeconomic Status
- Race/Ethnicity
- Sex
- Disability
- Geography

Bill Impacts:

<input checked="" type="checkbox"/> Economic	<input type="checkbox"/> Health	<input type="checkbox"/> Public Safety
<input type="checkbox"/> Employment	<input type="checkbox"/> Education	

The bill creates a family affordability tax credit, thereby increasing the after-tax income for certain lower-income households. In doing so, the bill decreases existing disparities in economic outcomes, including disparities by socioeconomic status, race, and ethnicity, for those who qualify for and claim the new tax credit.

Report Status: The demographic note reflects the enacted bill.

Demographic Impact Summary

This demographic note analyzes potential impacts of HB 24-1311 on disparities in income based on available data, including by socioeconomic status, race, ethnicity, sex, disability status, and geography.¹ The bill creates a family affordability tax credit (FATC), thereby increasing the after-tax income for households claiming the credit. This tax credit will reduce economic disparities by socioeconomic status, race and ethnicity for those who qualify for and claim the new tax credits. It will increase economic disparities by disability status.

¹ Terminology used to distinguish demographic groups (e.g., black/African American, Spanish/Hispanic or Latina/Latino) is based on the terminology used in the data sources referenced. These terms may differ from the self-identification of these populations.

Pursuant to Section 2-2-322.5, C.R.S., a Demographic Note is prepared by Legislative Council Staff upon request. The note uses available data to outline the potential impacts of proposed legislation on disparities within the state. Disparities are defined by statute as the difference in economic, employment, health, education, or public safety outcomes between the state population as a whole and subgroups of the population, as defined by socioeconomic status, race, ethnicity, sex, gender identity, sexual orientation, disability, geography, or any other relevant characteristic for which data are available. It is beyond the scope of this analysis to examine each of the varied causes contributing to a given disparity. For further information on the contents of Demographic Notes, visit <https://leg.colorado.gov/agencies/legislative-council-staff/demographic-notes>.

Demographic characteristics of Coloradans by income and the presence of children suggest that those most likely to experience after-tax income increases as a result of the bill are Coloradans who are black or African American, indigenous people of color, of some other non-white race, multiracial, or Spanish, Hispanic, or Latino.

Key Provisions

For tax years 2024 through 2033, the bill creates a family affordability income tax credit (FATC) for Coloradans who:

- have 2024 federal adjusted gross income (AGI) up to \$85,000 for single filers and \$95,000 for joint filers; and
- have at least one child under age 17.

The credit is refundable, meaning any amount by which the credit exceeds a taxpayer’s tax liability is refunded to the taxpayer. The amount of the credit depends on the age and number of children as well as household income, with single and joint filers with AGI of \$15,000 or \$25,000 or less, respectively, receiving the maximum credits of \$3,200 for each child under age 6, and \$2,400 for each child ages 6 to 16. After tax year 2024, the base income and credit amounts are increased for inflation, and the amount of the credit also depends on an adjustment factor. The adjustment factor is calculated as the forecasted compound annual growth of state revenue subject to TABOR in any fiscal year, in relation to FY 2024-25.

Table 1 shows the number of tax returns, share of total claimants, and average credit amounts by income level that would have qualified for the tax credit based on their adjusted gross income and number of dependents claimed on their federal tax return in tax year 2019. Under HB 24-1311, the average FATC for all eligible claimants in 2019 is estimated at \$2,427, with credit amounts ranging from \$967 to \$4,073, depending on income, filing status, and number of dependents. About 21 percent of returns are eligible for the maximum credit amount.

Table 1
Estimated Family Affordability Tax Credits by Federal AGI*

Single Filers	Population	Share of Total Claimants	Average Credit under HB 24-1311
\$15,000 or less	40,490	10.9%	\$3,541
\$15,001 - \$50,000	132,085	35.7%	\$2,701
\$50,000 to \$85,000	41,994	11.3%	\$967
Joint Filers		-	-
\$25,000 or less	36,704	9.9%	\$4,073
\$25,001 - \$60,000	47,762	12.9%	\$2,811
\$60,001 - \$95,000	71,298	19.3%	\$1,042
TOTAL	370,333	100%	\$2,427

Source: Colorado Department of Revenue

* Estimates for credits claimed under the bill are based on 2019 Colorado statistics of income combined with data on federal child tax credits claimed.

Legislative Background

The FATC may be claimed in addition to the existing state child tax credit (CTC). The CTC is available for single income tax filers with less than \$75,000 and for joint filers with less than \$85,000 in federal adjusted gross income (AGI), who claimed the federal CTC or would otherwise be able to claim the federal CTC but who are ineligible because one or more of their qualifying children does not have a valid social security number. The state CTC was available starting in tax year 2022 for eligible taxpayers' children under the age of six, and varies by income, from \$200 to \$1,200 per eligible child.

Demographic Comparisons

The following analysis presents available data comparing the populations most likely to be affected by the bill to the statewide population across different demographic groups. Based on these demographic comparisons and pursuant to statute, this analysis then identifies potential effects of the bill on existing disparities.

Estimated Coloradans eligible for the FATC. Colorado income tax return data are insufficient to identify the demographic characteristics of individual taxpayers. The following analysis uses data from the U.S. Census Bureau's American Community Survey (ACS) to approximate the population of taxpayers in Colorado most likely to be eligible for the FATC under HB 24-1311, which is the affected population. The estimate excludes people living in group quarters such as correctional facilities, nursing homes, university dormitories, and military quarters, and includes the population living in households that have 2024 incomes of \$95,000 or less,² and at least one child under age 18.³

This estimation identified approximately 965,000 people in 253,000 households with children under 18 and household incomes meeting the specified threshold in 2022, or approximately 17 percent of Colorado's population in households, 11 percent of Colorado households, and 40 percent of Colorado households with children. There was an average of 3.8 people per household in the affected population.

ACS data at the household level reflects the demographic characteristics of each member of the household. For example, a household with people of different races, ethnicities, sexes, or disability will appear in multiple demographic groups in the presented data. Meanwhile, geography and income, used to measure socioeconomic status, have a single value at the household level.

² The income threshold was deflated to the 2022 levels (\$88,000) using the Denver-Aurora-Lakewood inflation rate, to correspond with the most recent year for which data are available. Median household income for all Coloradans in 2022 was \$89,000, or \$96,000 adjusted for inflation to the 2024 level.

³ It should be noted that the FATC is available for children up to and including age 16, so that households with only children aged 17 are excluded from the family affordability tax credit. However, they are included in the affected population estimates due to data limitations.

HB 24-1311 affected population by demographic group. Figure 1 shows the share of the total population and the population within each demographic group that is living in a household with at least one child under the age of 18 and a household income of \$95,000 or less.⁴ For example, among all Coloradans, 16.9 percent live in those households likely to be affected by the bill, compared to 16.2 percent of men and 17.6 percent of women who live in those households. Among demographic groups, those who have a substantially higher share of those likely to be affected by the bill include those who are:

- American Indian or Alaskan Native (37.2 percent), Black or African American (33.3 percent), of other non-white race (31.1 percent), or multiracial (28.1 percent);
- Spanish, Hispanic, or Latino (32.3 percent).⁵

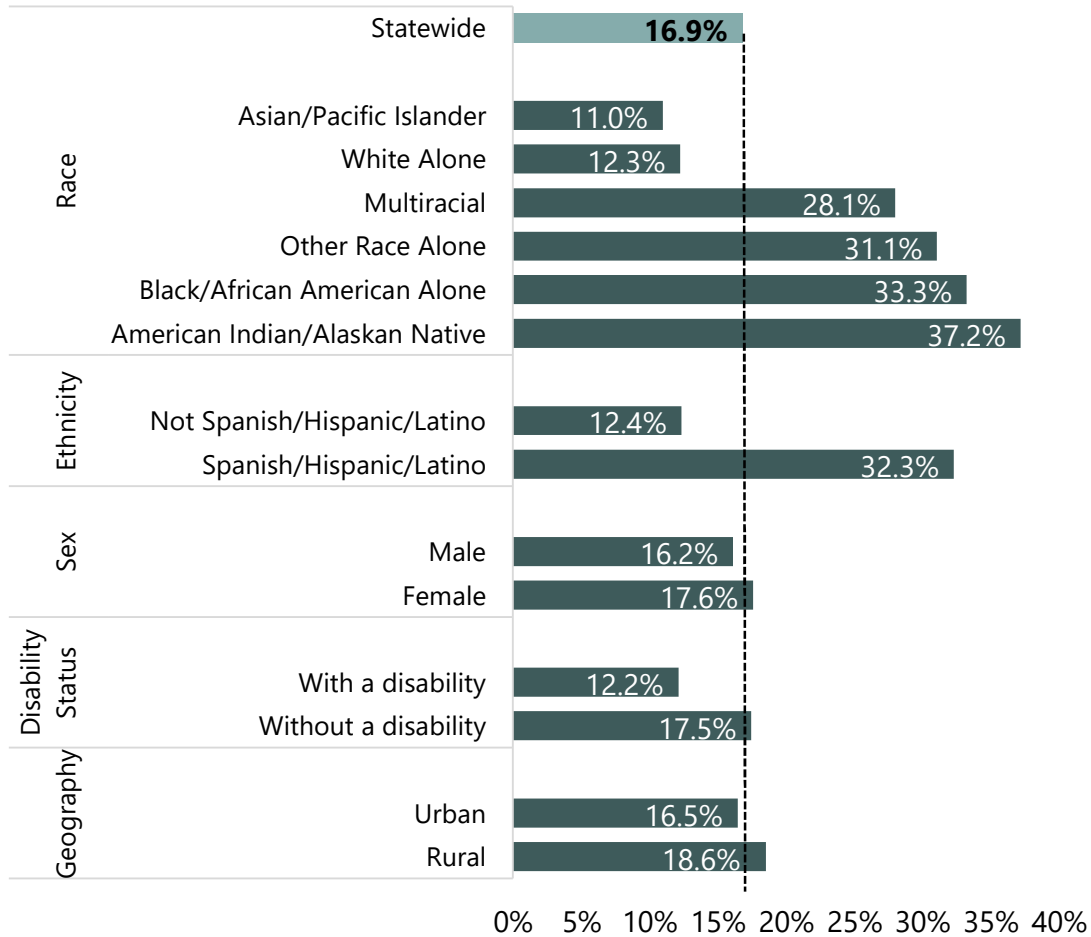
Those who are living with a disability have a substantially lower share (12.2 percent) of those likely to be affected by the bill. While Coloradans with a disability are more likely than the statewide population to live in a household with a household income of \$95,000 or less, they are less likely to be living in a household with children.

For more detailed information on the data used, see Appendix A.

⁴ Comparing the percentage in a particular outcome for a disaggregated subgroup to the percentage for the overall population is one method for measuring disproportionate impact.

⁵ Women and people living in rural areas also have a higher share of people living in households with children and income of \$95,000 or less, but the gap between the statewide share and the share within these groups is not statistically significant. Statistical significance was measured by comparing the percentage point gap between the statewide share and each demographic group with the margin of error for the sample at a 95 percent level of confidence, using the unweighted number of survey respondents in each group.

Figure 1
HB 24-1311 Affected Population:
Household Population with Children Under 18 and Income of \$95,000 or Less in Colorado
Share by Demographic Group and Statewide



Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2022.

Analysis and Findings

The bill is expected to increase after-tax income for many households with children whose incomes fall below the thresholds specified in the bill and who claim the new income tax credit. Demographic characteristics of Coloradans who live in households most likely to be eligible for the FATC suggest that they are more likely to be black or African American, indigenous people of color, some other non-white race, multiracial, or Spanish, Hispanic, or Latino, and people living without a disability. Based on the share of those expected to be eligible to claim the tax credit among demographic groups compared to their share in the statewide population, this analysis suggests that the bill will reduce existing economic disparities by race, ethnicity, and socioeconomic status, as measured by income, and increase economic disparities by disability status. The bill's impacts on disparities are limited to those filing tax returns, which excludes many of the lowest income taxpayers.

Impact of the bill on TABOR refunds and taxpayer savings. Under current law and the June 2024 Legislative Council Staff forecast, the bill is expected to reduce the amount of TABOR refunds to taxpayers at all levels of AGI starting in tax year 2024. TABOR refunds are distributed to taxpayers based on refund mechanisms set in state statute. Based on the fiscal note, the bill is expected to reduce the amount refunded via the six-tier sales tax refund mechanism in tax year 2024 by between \$58 for single filers with AGI up to \$52,000 to \$362 for joint filers with AGI above \$319,000. In tax year 2025, the bill is expected to reduce the amount refunded via the six-tier sales tax refund mechanism as well as the income tax rate cut mechanism by between \$64 for single filers with AGI up to \$54,000 to \$1,358 for joint filers with AGI above \$328,000.

Relative to either the six-tier refund mechanism or the income tax rate cut mechanism without the passage of HB 24-1311, accounting for SB 24-228, the FATC is expected to result in higher taxpayer savings for those with lower incomes and who qualify for the credit. For example, a joint filing taxpayer with at least one child under age 17 and AGI of \$50,000 will have an estimated reduction of \$116 in TABOR refunds in tax year 2024, but an estimated average tax savings from the FATC of \$2,811, for a net tax savings of \$2,695. Lower income taxpayers without children will experience a higher net tax burden under the bill from having TABOR refunds reduced.

Disparities in context. While HB 24-1311 reduces income disparities for many low-income households with children, it is unlikely to influence other factors that contribute to income or other disparities. It is important to note that economic disparities such as those discussed here have multiple and interacting causes, including not only individual behavior and choices, but also historical and structural factors that can shape or constrain individual choices and distribute economic and other opportunities unevenly to individuals on the basis of their membership in particular demographic groups.

Demographics Not Analyzed

Some demographic groups have not been included in the analysis due to data limitations. Data on the relevant populations delineated by sexual orientation and gender identity were not available at the time of the analysis. Should data become available, this analysis may be updated.

Data Sources and Agencies Contacted

IPUMS USA

Revenue

U.S. Census Bureau

**Appendix A
Demographic Profiles:
Statewide Household Population and Population in Households with Children Under Age
18 and Income of \$95,000 or Less**

		Statewide Household Population		Affected Household Population	
		Population	Share of Total	Population	Share of Total
Total		5,718,342		965,165	
Race	White	4,023,036	70.4%	493,898	51.2%
	Black/African American	222,444	3.9%	74,042	7.7%
	American Indian/Alaskan Native	65,927	1.2%	24,551	2.5%
	Asian/Pacific Islander	194,171	3.4%	21,366	2.2%
	Other race	361,069	6.3%	112,309	11.6%
	Multiracial	851,695	14.9%	239,019	24.8%
Ethnicity	Spanish/Hispanic/Latino	1,290,524	22.6%	417,294	43.2%
	Not Spanish/Hispanic/Latino	4,427,818	77.4%	547,891	56.8%
Sex	Female	2,835,188	49.6%	499,422	51.7%
	Male	2,883,154	50.4%	465,763	48.3%
Disability Status	With a Disability	652,961	11.4%	79,350	8.2%
	Without a Disability	5,065,381	88.6%	885,835	91.8%
Geography	Rural	1,071,901	18.7%	198,853	20.6%
	Urban	4,646,441	81.3%	766,332	79.4%

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2022