

CHILD CARE EXPENSE CREDIT & LOW-INCOME CHILD CARE EXPENSE CREDIT



EVALUATION SUMMARY

JANUARY 2019

THESE EVALUATIONS WILL BE INCLUDED IN COMPILATION REPORT SEPTEMBER 2019

	CHILD CARE EXPENSE CREDIT	LOW-INCOME CHILD CARE EXPENSE CREDIT
YEAR ENACTED	1996	2014
REPEAL/ EXPIRATION DATE	None	January 1, 2021
REVENUE IMPACT	\$2.73 million	\$2.30 million
NUMBER OF TAXPAYERS	27,036	5,889
AVERAGE TAXPAYER BENEFIT	\$101	\$391
IS IT MEETING ITS PURPOSE?	Yes, to a limited extent	Yes, for most intended beneficiaries

WHAT DO THESE TAX EXPENDITURES DO?

CHILD CARE EXPENSE CREDIT. Taxpayers with an annual income of up to \$60,000 can receive a state income tax credit worth 50 percent of their federal Child and Dependent Care Tax Credit for child care expenses.

LOW-INCOME CHILD CARE EXPENSE CREDIT. Taxpayers with an annual income of \$25,000 or less can receive a state income tax credit of 25 percent of their child care expenses (capped at \$500 for one child and \$1,000 for two or more children). A taxpayer can only claim the Low-Income Child Care Expense Credit if they are ineligible for the Child Care Expense Credit.

WHAT IS THE PURPOSE OF THESE TAX EXPENDITURES?

According to statute [Section 39-22-119.5(1)(a)(III), C.R.S.], the purpose of the Child Care Expense Credit is to “make child care more affordable for working families.” Statute [Section 39-22-119.5, C.R.S.] states that the purpose of the Low-Income Child Care Expense credit is to “fix the [Child Care Expense Credit] so that all low-income working families are able to claim the credit regardless of the amount of their federal child care expenses credit.” Because the Low-Income Child Care Expense Credit was designed to work with the Child Care Expense Credit, we inferred that the Low-Income Child Care Expenses Credit was also intended to make child care more affordable for working families.

WHAT DID THE EVALUATION FIND?

We determined that both credits are meeting their purpose of making child care more affordable for working families because they partially offset the cost of child care. However, the extent to which the credits help taxpayers with typical child care costs is small.

We also determined that there continue to be substantial disparities in the credit amount some taxpayers receive from the credits.

WHAT POLICY CONSIDERATIONS DID THE EVALUATION IDENTIFY?

The General Assembly could consider decoupling the Child Care Expense Credit from the federal Child and Dependent Care Tax Credit to increase the benefit and stability of the Child Care Expense Credit and provide more even treatment to taxpayers across incomes and family types.