



Support HB 16-1045: The Child Tax Credit

Rep. Singer, Sen. Merrifield & Kefalas

Despite recent economic trends, not all Colorado families are feeling the recovery from the Great Recession. Many middle-class Colorado families are still struggling to make ends meet. That is why the Colorado Child Tax Credit (CTC) is more important than ever. The CTC puts cash back into the pockets of Colorado families. It is an investment in Colorado that helps offset the increasing cost of child care and other expenses.

The CTC is the largest federal tax code provision benefiting working families with children. It is critical in the fight to end childhood poverty and to build a road toward an economy that works for everyone. More than 200,000 Colorado families benefit from the federal CTC. Colorado should fast-track the state CTC and make it available for Colorado families in the upcoming tax year.

The Impact of the Federal Child Tax Credit in Your District

# of families that benefit from the federal CTC in your district:	% of families in your district that benefit from the federal CTC in your district:
1,263	3.8%

The figures above reflect the federal CTC which is broader and covers families with children under the age of 17, whereas the state CTC only covers families with children under the age of 6.

Colorado and the Federal Child Tax Credit

In 2013, Colorado passed a state CTC via Senate Bill 13-001 that provides a refundable tax credit to working families with children age 5 and under (Table 1). The credit is targeted to families with young children because that is the time that child care and other expenses are at their highest, and small investments have the greatest return. However, the Colorado CTC does not go into effect unless Congress passes the Marketplace Fairness Act, which allows for the collection of tax on internet sales. To date, Congress has failed to pass the Marketplace Fairness Act, so families have gone without this vital support.

Percentage of the Federal Credit	Federal Adjusted Gross Income (AGI)	
	Single Filer	Joint Filers
30 percent	Below \$25,001	Below \$35,001
15 percent	\$25,001-\$50,000	\$35,001-\$60,000
5 percent	\$50,001-\$75,000	\$60,001-\$85,000

Families do have access to a tax credit at the federal level of \$1,000 per qualifying child age 16 or under. The credit is phased out for families with an adjusted gross income that is more than \$75,000 for a single filer or \$110,000 for joint



filers. An additional child tax credit is available for taxpayers who get less than the full amount of the child tax credit. The additional credit allows a portion of the federal Child Tax Credit to be refundable for the poorest families.

Many Colorado families make use of the federal tax credit already and would benefit from the state credit. In 2013, 27.4 percent of filers in Colorado claimed the federal Child Tax Credit and the additional child tax credit, according to tax return data from the Internal Revenue Service. Legislative Council estimates that 214,675 families will benefit from Colorado's state child tax credit if it is in effect in fiscal year 2016 (Table 2).

Table 2 Estimated Returns and Revenue Impact of the Colorado Child Tax Credit

Fiscal Year	2016	2017	2018
Number of Returns	214,675	217,416	220,266
Revenue Impact	\$33.4 million	\$67.2 million	\$68.3 million

Why Support a State Child Tax Credit?

A recent study from the Colorado Fiscal Institute found that 26.2 percent of workers in Colorado work in jobs that are classified as low-wage.¹ This means that more than one-fourth of the workers in Colorado make less than \$12 an hour and often live in poverty. Earning such low wages presents many challenges, especially for families with young children. When combined with the Earned Income Tax Credit, a state Child Tax Credit puts millions back into local economies and provides better outcomes for children in low- and moderate-income families.

Studies find that increasing the budget of a family living in poverty can have long-lasting and far-reaching educational and economic benefits. Research also shows that there is a strong relationship between family income and the size of a child's brain and cognitive ability.

These studies find that directly increasing the size of a family's budget, through credits like the CTC, improves immediate and lifelong outcomes for the children in these families. Increasing a poor family's household income by \$3,000 a year is associated with a 17 percent increase in adult earnings and 135 additional work hours per year after 25. In addition, children in these households are healthier and experience greater achievement in the classroom due to improved motor development and cognitive skills.

The CTC benefits the middle-class families that have been hit hardest by the recession and who have benefited the least from the economic recovery. These are families that are still struggling to make ends meet. The CTC can make the difference in their family budgets.

Fast-tracking the CTC is a vital step toward creating a Colorado economy that works for everyone and supporting Colorado families and children. Now is the time to fast-track a permanent, statewide CTC.

SUPPORT COLORADO FAMILIES AND CHILDREN! SUPPORT THE HB 16-1045!

¹ Stiffler, C. (2015). Low-Wage Jobs in Colorado are Growing and Putting More Pressure on Taxpayers. Colorado Fiscal Institute
Thamanna Vasan, Economic Policy Analyst, 720-379-3019 ext. 227, vasan@coloradofiscal.org