

Thank you Committee.

I am Chaer Robert, representing the Colorado Center on Law and Policy (CCLP). We supported our state EITC beginning with its creation 25 years ago, and we support [House Bill 24-1134](#).

Today, however, I will focus on the state Child Care Tax Credits.

Colorado created a [Child Care Tax Credit in 1996 with House Bill 1121](#) for those who needed child care to work. It looked progressive on paper since those earning under \$25,000 a year could claim 50% of the [federal Child and Dependent Care Credit](#). Those earning between \$25,000 and \$35,000 could claim 30% of the federal credit, and those earning between \$35,000- \$60,000 could claim 10%.

However, CCLP recognized that working parents could not benefit if they earned too little to have a federal income tax liability. Since the federal credit is not refundable, they received \$0 from the federal credit, and therefore, \$0 for the Colorado credit.

So, in 2014 we led the effort for a child care tax credit for those earning under \$25,000 with [House Bill 1072](#). This credit is a fourth of their *annual* child care expenses capped at \$500 for one child, or \$1,000 for two or more children. Families who could claim *any* amount of the existing state credit, however, were ineligible for this credit. This built in a cliff effect in which the head of a household (i.e., single parent) today can receive a \$500 credit for one child if they earn below \$20,800, but if their income increases two dollars per month, their credit falls to \$1.

The changes in Colorado Child Care Tax Credits proposed in sections 1 and 2 of this bill offer four improvements for struggling families:

1. Merging the state Child Care Tax Credit and the [low-income credit](#) in 2026, and increasing the percentage for all families to 70% of the federal credit through an amendment, would increase the maximum tax credit for low-income families as well as for families who claim the regular Child Care Tax Credit. The amount of the credit represents only a tiny fraction of child care. The annual cost for child care for a toddler in Colorado, for example, averages from \$11,000 for home-based care to \$16,000 for center-based care.

2. The sunset^[1] on the Low-Income Credit would be removed. The other Child Care Tax Credit does not have a sunset.
3. Merging the two credits would eliminate the cliff for low-income families, preventing small income increases from causing their child care credit to plunge.
4. Low-income families are more likely to live in multi-generational households. Including other dependents – like the federal Child and Dependent Care Credit does – could help many individuals remain employed by defraying some cost of care for a dependent spouse or other qualifying relative. Eligibility is tightly defined by the IRS to include situations in which the dependent is living in the same home and is unable to care for themselves.

We ask for your support for House Bill 24-1134.

Sincerely,

Chaer Robert

Emeritus Advisor

Colorado Center on Law and Policy

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