

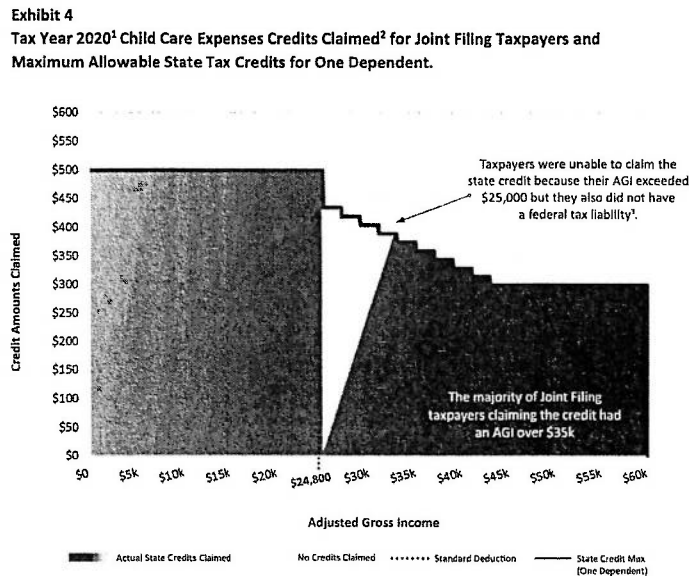
HB24-1134: Adjustments to Tax Expenditures to Reduce Burden *Reps. Weissman & Rutinel + Sen. Hinrichsen*

Summary of the bill

1. **Deduplicate two existing tax credits related to child care expenses to avoid anomalous outcomes and increase fiscal support for families with childcare expenses.** Right now, similarly situated taxpayers (families) may experience different amounts of benefit due to “donut holes” between the two tax credits. (§§ 1 and 2)
2. **Increase fiscal support for lower and moderate income taxpayers - especially those with children - by increasing the value of the state Earned Income Tax Credit (EITC).** The EITC is a simple, efficient, proven way to assist working families in meeting cost of living - in 2022, over 400,000 Coloradans benefitted from the EITC. (§3)
3. Conform Colorado’s rules for complex “groups” of C-corp taxpayers with the plurality rule among states for “unitary combined reporting.” Right now Colorado has unique in the country rules for this kind of tax filing (§§ 4 and 5)

More Detail - Child Care Credits

- Right now CO has two child care-related tax credits. 1) 39-22-119 dates to 1996 and is tied to the amount of child care expenses claimed on the federal return. 2) 39-22-119.5 dates to 2014 and is specific to taxpayers not eligible to claim the credit under 39-22-119.
- In a December 2023 report, OSA noted “both credits are likely underutilized and the Low-Income Child Care Expenses Credit does not ensure that all individuals without a federal tax liability can claim a credit for their child care expenses”
- Benefits under these tax credits are modest, and their current parameters create undesirable gap effects at certain income levels:



- HB24-1134 proposes to combine / de-dupe the two credits into one for taxpayer clarity, administrative simplicity, and slightly increased support for families with childcare expenses.