



SUPPORT

Renew the Child Care Tax Credit for Working Families

HB17-1002

Sponsors: Representatives Brittany Pettersen and Tony Exum and Senator John Kefalas

Colorado's economy thrives when working families reach their full potential and contribute back to their communities. Without child care, most parents of young children cannot work. Low wage workers have difficulty affording the child care needed to take a job and stay in the workforce.

The Need for the Bill

Colorado law provides a permanent income tax credit for child care expenses to families with an income of \$60,000 and less. In the past, because our state child care tax credit was based on a percentage of the federal credit claimed – and working parents with very low incomes earned too little to pay federal income taxes, families earning under \$25,000 got little, if any, of the credit. **HB14-1072 fixed that, but expires in January 2018.** Under HB14-1072, Colorado disconnected the state tax credit from federal credit for those earning under \$25,000/year and created a maximum credit of one-fourth of child care expenses for working up to a **maximum** of \$500 for a family with one child and \$1,000 for a family with two or more children. The average credit has been a little over \$150 per family.

Credit Helps Parents Work

To qualify for the credit, families need to meet the following criteria:

- Must be working
- Must earn less than \$25,000 a year, which is roughly \$12 an hour or less
- Must pay for child care while they work

The 2014 fiscal note estimated that 55,000 Colorado families might meet that criterion. Of those, approximately 32,000 a year have claimed this credit, amounting to \$4.9 million per year in refundable tax credits.

Promotes Economic Growth and Reduces Poverty

Employment is critical to reducing poverty, but child care is critical to employment.

The child poverty rate in Colorado skyrocketed from 10 percent in 2000 to 18 percent in 2011. In 2015, the child poverty rate fell to 15%. For a family of four, the poverty level is \$24,300 a year. An extra \$500 or \$1000 in child care cost reimbursement through this tax credit can push many above the line and help them tap into their economic potential. The credit makes a significant impact on those far below the poverty line. There are approximately 183,000 Colorado children under 18 whose family incomes fall below the federal poverty line.

Promotes Tax Equity

If this law is not renewed, working parents with the lowest income will not receive any tax benefits for the money they pay for child care, while those with higher incomes do receive partial reimbursement of child care costs through tax laws.

Organizational Supporters

9to5 Colorado
All Families Deserve a Chance (AFDC) Coalition
The Bell Policy Center
Colorado Alliance of YMCAs
Colorado Center on Law and Policy
Colorado Children's Campaign
Colorado Competitive Council
Colorado Fiscal Institute
Junior League of Denver
National Council of Jewish Women - Colorado Chapter
Parent Possible (formerly Colorado Parent and Child Foundation)
Women's Foundation of Colorado
Women's Lobby of Colorado

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