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SUPPORT HB19-1013

Make the Child Care Tax Credit for those earning under \$25,000/yr permanent

Sponsors: Representative Tony Exum and Senator Brittany Pettersen

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. Because that tax credit is based on a percentage of the federal credit claimed – and working parents with low incomes earn too little to pay federal income taxes, families earning under \$25,000 generally do not qualify for the permanent credit. They do currently qualify for the low-income child care tax credit, **but it expires after tax year 2020**. Colorado disconnected the state tax credit from federal credit for those earning under \$25,000/year who do not qualify for the permanent credit, and created a maximum credit of 1/4 of child care expenses for working families 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.

This Tax 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

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 2016, the child poverty rate fell to 13%. For a family of three, the poverty level is \$20,780 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.

Promotes Tax Equity

If this law sunsets, working parents with the lowest income will not receive any tax benefits for the money they pay for child care, while those with earning high enough to have a federal income tax liability (but below \$60,000/yr) do receive partial reimbursement of child care costs through permanent child care tax credits. In fact, in 2018, the legislature increased the Colorado Child Care Tax Credit for those earning up to \$60,000 per year **without a sunset**. Both of these critical tax credits should be permanent. Vote Yes on HB19-1013 to make sure lower-income families also have a tax credit.

Supporters

All Families Deserve a Chance (AFDC) Coalition

Bell Policy Center

Colorado Center on Law and Policy

Colorado Children's Campaign

Colorado Fiscal Institute

Colorado Statewide Parent Coalition

CWEE

Gary Community Investment Company

National Council of Jewish Women State Policy Advocate

Women's Foundation of Colorado