

CHILD CARE RELATED TAX CREDITS IN STATES

October 2020 State Profile

Colorado

FOR EMPLOYERS

Tax Landscape: Forty-four states levy corporate income taxes.

Does Colorado levy taxes on corporate employers in the state?

Yes

Does Colorado have an employer tax credit to incentivize the provision of child care for employees?

Yes, see below for more information

Employer Child Care Tax Credit Description

Child Care Contribution Tax Credit.

Any taxpayer that makes a qualifying monetary contribution to promote child care in Colorado may claim an income tax credit of 50% of the total value of the qualifying contribution. Limited to \$100,000 per taxpayer.

Code Section: § 39-22-121

Link: <http://ow.ly/CGOd50BWr0j>

Employer Child Care Credit.

This credit allows for investment in tangible personal property to be used in a child care center or family care home. For tax years beginning on or after January 1, 1992, a Colorado income tax credit is allowed in an amount equal to 20% of the taxpayer's expenditure made during the income tax year for the purchase of qualifying tangible personal property to be used in the operation of a child care center or a family care home which is licensed pursuant to section 26-6-106, C.R.S.

Code Section: § 39-22-517

Link: <http://ow.ly/EoFv50BWr3x>

Employer Child Care Credit.

This credit incents the provision of child care services or the payment of the costs associated with child care services for children of employees receiving public assistance. Also, the credit can be claimed against the provision of health or dental insurance for employees receiving public assistance, which health or dental insurance coverage, if less than the coverage provided through medicaid, shall be supplemented by medicaid to provide full medicaid benefits to the employee; the provision of job training or basic education of employees receiving public assistance; and the provision of a transportation program to and from work.

Code Section: § 39-22-521

Link: <http://ow.ly/XAUd50BWr5u>

Employer Child Care Credit.

Property, real and personal, which is owned and used solely and exclusively for strictly charitable purposes and not for private gain or corporate profit shall be exempt from the levy and collection of property tax if such property is used as an integral part of a child care center:

- (a) Which is licensed pursuant to article 6 of title 26, C.R.S.;
- (b) Which is maintained for the whole or part of a day for the care of five or more children who are not sixteen years of age or older;
- (c) Which is not owned or operated for private gain or corporate profit;
- (d) The costs of operation of which, including salaries, are reasonable based upon the services and facilities provided and as compared with the costs of operation of any comparable public institution;
- (e) Which provides its services to an indefinite number of persons free of charge or at reduced rates equal to 5% of the gross revenues of such child care center or equal to 10% of the amount of tuition charged by such child care center to the financially needy or charges on the basis of ability to pay.

Code Section: § 39-3-110

Link: <http://ow.ly/di8W50BYJnG>

continued

Colorado (continued)

OTHER CHILD CARE RELATED TAX CREDITS

Early Educator Tax Credit.

For income tax years commencing on or after January 1, 2020, but before January 1, 2025, an eligible early childhood educator is allowed a credit against the taxes. The amount of the credit:

- (A) Early childhood professional I equals \$500;
- (B) Early childhood professional II equals \$750;
- (C) Early childhood professional III equals \$1,000; and
- (D) Early childhood professional IV, early childhood professional V, and early childhood professional VI equals \$500.

Code Section: § 39-22-542

Link: <http://ow.ly/3aDK50BWrox>

FOR PARENTS

Tax Landscape: Nine states do not levy personal income taxes. (Seven states do not levy personal income taxes and an additional two states do not tax wages. For example, in those states investment income and interest is taxed but wages are not taxed).

Does Colorado levy taxes on personal income?

Yes

Does Colorado have a dependent care tax credit for parents?

Yes, see below for more information

Parent Child Care Tax Credit Description

For families with adjusted gross income less than \$60,000; 50% of the federal child and dependent care tax credit (CDCTC) for taxpayers with income up to \$25,000; 30% of the federal CDCTC for taxpayers earning between \$25,000 and \$35,000; and 10% of the federal CDCTC for taxpayers earning between \$35,000 and \$60,000.

Code Section: 39-22-119

Link: <http://ow.ly/tCCo50BWugH>

OTHER POTENTIAL REVENUE SOURCES

Check out CED's Child Care Tax Credit Corner web page for other taxes that states may levy (e.g., estate or inheritance taxes, lottery taxes, marijuana taxes, property taxes, sales taxes, and tobacco and vaping taxes).

www.ced.org/child-care-state-tax-credits