

Colorado

Credit Name: Child Care Expense Tax Credit

Type of Provision: Refundable Tax Credit¹

Calculation: 50 percent of the [federal Child and Dependent Care Tax Credit \(CDCTC\)](#) received² for child care expenses

Maximum Value:

- One Child/Dependent: \$525
- Two or More Children/Dependents: \$1,050

Income Cutoff: \$60,001

Family Illustrations:



A woman who has an income of \$30,000, is raising an infant on her own, and pays \$10,522 in child care expenses could receive a maximum credit of \$405.



A married couple with both parents employed full-time in low-wage jobs (paying \$11.50/hour) that has an income of \$47,840, has an infant and a four-year-old, and pays \$20,475 in child care expenses, could receive a maximum credit of \$600

*Access the methodology for these calculations [here](#).

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit. This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the credit to increase the maximum value of the credit and provide more help to families.
- Expanding the credit to include dependent care expenses.
- Lifting or increasing the income cap to give more middle-class families access to this tax credit.

¹ Nonresidents cannot claim this credit.

² This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

Colorado (Continued)

Credit Name: Low-Income Child Care Expenses Credit³

Type of Provision: Refundable Tax Credit⁴

Calculation: Families who did not have sufficient tax liability to claim the federal CDCTC can receive a credit worth 25 percent of the child care expenses that the family incurred during the taxable year, up to a specified maximum credit value. The child care expenses cannot exceed a single taxpayer's earned income for the year (or, for joint filers, the earned income of the lower earner).

Maximum Value:

- One Child/Dependent: \$500
- Two or More Children/Dependents: \$1,000

Income Cutoff: \$25,001

Family Illustrations:



A woman who has an income of \$30,000, is raising an infant on her own, and pays \$10,522 in child care expenses would not be eligible for this credit.



A married couple with both parents employed full-time in low-wage jobs (paying \$11.50/hour) that has an income of \$47,840, has an infant and a four-year-old, and pays \$20,475 in child care expenses would not be eligible for this credit.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim this credit if they received some, but not all, of the federal credit for which they were eligible.
- Increasing the value of the credit by increasing the percentage of expenses used to calculate the credit and/or increasing the maximum value of the credit to provide more help to families.
- Extending the credit past Tax Year 2028 so low-income families can receive this credit in future tax years.
- Expanding the credit to include dependent care expenses.

³ During the 2019 legislative session, this credit was [extended](#) for eight more years, through Tax Year 2028.

⁴ Nonresidents cannot claim this credit.