

Colorado Child Care Tax Credits

The Child Care Contribution Tax Credit (CCCTC) increases the quality and availability of child care in Colorado. Any taxpayer who makes a monetary contribution to promote child care* is eligible for a 50% tax credit when filing a Colorado income tax return. [§39-22-121, C.R.S.]

Benefits to taxpayers:

- Considerable tax savings
- Both individual and corporations can take advantage of the tax credit
- Excess tax credits may be carried forward for up to five years

Guidelines:

- The maximum credit one may take in any single year is \$100,000, or the actual Colorado income tax liability for the year, whichever is less.
- Any unused credit may be carried forward for up to five additional tax years.
- Only monetary donations are eligible (in-kind gifts, such as stock or other securities, labor or equipment do not qualify).

*Eligible purposes of the CCCTC include monetary donations:

- For the establishment or operation of a child care facility or program;
- For a registered grant or loan program for parents in Colorado requiring financial assistance for child care;
- For a registered training program for child care providers;
- For a registered information dissemination program that assists parents with child care information and referral services; and
- For a registered grandfathered child care organization.

In 2007, over 10,800 Colorado tax returns claimed an average credit of \$1,613 for a total of \$17.5 million in credits.

2011-2019:

In 2008, the Colorado General Assembly reauthorized the CCCTC for 10 years. In order to ensure that this decision would not adversely affect the state budget during economic downturns, however, the legislature added an annual reevaluation component. As a result, starting in December 2010, the availability of the credit in each subsequent year depends on the Legislative Council's December revenue forecast that general fund appropriations will grow 6% over the previous year. If the credit is not available in a particular year, you may claim it in the next year the credit is allowed.

What if the forecast does not estimate sufficient revenue?

Colorado Department of Revenue is required to give notice on its website that the credit is not available for the tax year immediately following the December forecast. If a taxpayer who would have been eligible to claim the CCCTC is not allowed in a tax year because of the 6% percent threshold, the taxpayer may claim the credits that were disallowed in the next income year in which revenue estimates indicate sufficient growth by 6th percent.

For example, if on December 20th, 2010, the Legislative Council's revenue forecast predicts that state general fund appropriations in 2011 will only increase by 5.7%, a taxpayer making a qualifying gift in 2011 would not be able to claim the Child Care Contribution Credit when filing their 2011 Colorado income tax return. If in its December 2011 forecast, the Council estimated that 2012 appropriations will grow by 6.3%, the credit would be available for gifts made in 2012 and the prior tax year. Donors who made qualifying gifts in 2011 would then be able to claim the credit when filing their 2012 tax returns.

Federal Child Care Development Fund – In 2003, Mile High United Way entered into a partnership with the State of Colorado to be designated as the single entity in the State to receive donated funds for the purpose of accessing additional federal Child Care and Development Fund (CCDF) matching funds (that would otherwise not be claimed by the State.) MHUW is not required to run its dollars through the state and the matching funds are to be used by the State to increase the availability, affordability, and quality of child care services as defined in the Child Care and Development Fund Rules and Regulations. There are certain program eligibility requirements to qualify for matching funds. **\$12.5 million has been leveraged as a one-to-one match since 2003**