

Second Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted
on Second Reading in the Second House*

LLS NO. 14-0161.01 Ed DeCecco x4216

HOUSE BILL 14-1072

HOUSE SPONSORSHIP

Pettersen and Exum, Fields

SENATE SPONSORSHIP

Kefalas, Ulibarri

House Committees

Finance
Appropriations

Senate Committees

Finance
Appropriations

A BILL FOR AN ACT

101 CONCERNING AN INCOME TAX CREDIT FOR CHILD CARE EXPENSES PAID
102 BY A RESIDENT INDIVIDUAL WITH A FEDERAL ADJUSTED GROSS
103 INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS, AND, IN
104 CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Economic Opportunity Poverty Reduction Task Force.
Currently, if a resident individual is allowed a federal income tax credit

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
Amended 2nd Reading
April 25, 2014

HOUSE
3rd Reading Unamended
April 7, 2014

HOUSE
Amended 2nd Reading
April 4, 2014

for his or her child care expenses, the individual may claim a state income tax credit for the same expenses. The amount of the state credit is a percentage of the federal credit claimed. Because the federal credit is not refundable, the amount of an individual's federal tax liability may limit the amount of an individual's state tax credit.

The bill creates a new state child care expenses tax credit (state credit) for a resident individual who has a federal adjusted gross income of \$25,000 or less. The amount of the state credit is equal to 25% of the child care expenses that the individual incurred during the taxable year if:

- ! The expenses are for the care of a dependent of the taxpayer who is less than 13 years old; and
- ! The individual would be allowed a federal credit for the expenses if he or she had sufficient tax liability to claim the credit.

The state credit is not based on the amount of any federal credit claimed, but its maximum amount is \$500 for a single dependent or \$1,000 for 2 or more dependents. Like the existing state credit, this tax credit is refundable, which means that the credit amount that exceeds the resident individual's income taxes due is refunded to the individual.

Similar to the federal credit, the amount of the state credit may not exceed a resident individual's earned income for the year. Also like the federal credit, an individual is not permitted a state credit unless he or she provides the tax identification number for the child and child care provider. The latter requirement does not apply if the individual is able to show that he or she exercised due diligence in trying to provide the identification number.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2

3 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-119.5 as
4 follows:

5 **39-22-119.5. Child care expenses tax credit - legislative**
6 **declaration - definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY
7 HEREBY FINDS AND DECLARES THAT:

8 (I) COLORADO FAMILIES AND THE STATE ECONOMY THRIVE WHEN
9 PARENTS ARE ABLE TO WORK;

10 (II) WHILE RESEARCH SHOWS THAT HIGH-QUALITY CHILD CARE

1 CONTRIBUTES TO ECONOMIC MOBILITY, CHILD CARE CAN BE COST
2 PROHIBITIVE FOR LOW-INCOME WORKING PARENTS;

3 (III) THE GENERAL ASSEMBLY CREATED THE CHILD CARE EXPENSES
4 TAX CREDIT IN SECTION 39-22-119 IN 1996 TO MAKE CHILD CARE MORE
5 AFFORDABLE FOR WORKING FAMILIES;

6 (IV) THE CREDIT IN SECTION 39-22-119 IS CURRENTLY BASED ON
7 THE AMOUNT CLAIMED FOR A SIMILAR FEDERAL CREDIT;

8 (V) AS A RESULT, SOME LOW-INCOME FAMILIES ARE NOT
9 RECEIVING THE STATE CHILD CARE EXPENSES TAX CREDIT BECAUSE THEY
10 FAIL TO FILE A FEDERAL RETURN OR, BASED ON THEIR INCOME TAXES
11 OWED, ARE INELGIBLE FOR A FEDERAL CREDIT; AND

12 (VI) AS A RESULT, THE STATE TAX CREDIT IS UNINTENTIONALLY
13 UNFAIR AND REGRESSIVE.

14 (b) NOW, THEREFORE, THE GENERAL ASSEMBLY DECLARES THAT
15 THE INTENDED PURPOSE OF THE TAX EXPENDITURE IN THIS SECTION IS TO
16 FIX THE COLORADO CHILD CARE EXPENSES INCOME TAX CREDIT SO THAT
17 ALL LOW-INCOME WORKING FAMILIES ARE ABLE TO CLAIM THE CREDIT
18 REGARDLESS OF THE AMOUNT OF THEIR FEDERAL CHILD CARE EXPENSES
19 CREDIT.

20 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
21 REQUIRES:

22 (a) "CREDIT" MEANS THE CHILD CARE EXPENSES TAX CREDIT
23 CREATED IN THIS SECTION.

24 (b) "DEPENDENT" HAS THE SAME MEANING AS IN SECTION 152 (a)
25 (1) OF THE INTERNAL REVENUE CODE, OR ANY SUCCESSOR SECTION.

26 (3) (a) FOR INCOME TAX YEARS BEGINNING ON AND AFTER
27 JANUARY 1, 2014, BUT PRIOR TO JANUARY 1, 2017, A RESIDENT

1 INDIVIDUAL IS ALLOWED A CREDIT AGAINST THE TAXES DUE UNDER THIS
2 ARTICLE FOR CHILD CARE EXPENSES THAT THE INDIVIDUAL INCURRED
3 DURING THE TAXABLE YEAR IF:

4 (I) THE INDIVIDUAL HAS AN ADJUSTED GROSS INCOME OF
5 TWENTY-FIVE THOUSAND DOLLARS OR LESS;

6 (II) THE INDIVIDUAL HAS INSUFFICIENT TAX LIABILITY TO CLAIM
7 ANY CREDIT UNDER SECTION 39-22-119;

8 (III) THE EXPENSES ARE FOR THE CARE OF A DEPENDENT OF THE
9 TAXPAYER WHO IS LESS THAN THIRTEEN YEARS OLD; AND

10 (IV) THE INDIVIDUAL WOULD BE ALLOWED A CREDIT FOR THE
11 EXPENSES UNDER SECTION 21 OF THE INTERNAL REVENUE CODE, OR ANY
12 SUCCESSOR SECTION, IF HE OR SHE HAD SUFFICIENT TAX LIABILITY TO
13 CLAIM THE CREDIT.

14 (b) THE CREDIT IS EQUAL TO TWENTY-FIVE PERCENT OF THE
15 RESIDENT INDIVIDUAL'S CHILD CARE EXPENSES; EXCEPT THAT THE
16 MAXIMUM AMOUNT OF A CREDIT THAT A RESIDENT INDIVIDUAL IS
17 ALLOWED UNDER THIS SECTION IS:

18 (I) FIVE HUNDRED DOLLARS FOR A SINGLE DEPENDENT; OR

19 (II) ONE THOUSAND DOLLARS FOR TWO OR MORE DEPENDENTS.

20 (c) THE AMOUNT OF THE CREDIT THAT EXCEEDS THE RESIDENT
21 INDIVIDUAL'S INCOME TAXES DUE IS REFUNDED TO THE INDIVIDUAL.

22 (4) THE AMOUNT OF AN INDIVIDUAL'S CHILD CARE EXPENSES
23 INCURRED DURING A TAXABLE YEAR THAT MAY BE THE BASIS OF THE
24 CREDIT SHALL NOT EXCEED:

25 (a) IN THE CASE OF AN INDIVIDUAL WHO FILES A SINGLE RETURN,
26 THE INDIVIDUAL'S EARNED INCOME FOR THE YEAR; OR

27 (b) IN THE CASE OF TWO INDIVIDUALS WHO FILE A JOINT RETURN,

1 THE LESSER OF EITHER INDIVIDUAL'S EARNED INCOME FOR THE YEAR.

2 (5) (a) EXCEPT AS SET FORTH IN PARAGRAPH (b) OF THIS
3 SUBSECTION (5), A RESIDENT INDIVIDUAL IS NOT ALLOWED A CREDIT FOR
4 ANY AMOUNT PAID TO ANY PERSON WHO PROVIDES CHILD CARE UNLESS:

5 (I) THE NAME, ADDRESS, AND TAXPAYER IDENTIFICATION NUMBER
6 OF THE PERSON ARE INCLUDED ON THE RESIDENT INDIVIDUAL'S RETURN;
7 OR

8 (II) IF THE PERSON IS AN ORGANIZATION DESCRIBED IN SECTION
9 501 (c) (3) OF THE INTERNAL REVENUE CODE, OR ANY SUCCESSOR SECTION,
10 AND EXEMPT FROM TAX UNDER SECTION 501 (a) OF THE INTERNAL
11 REVENUE CODE, OR ANY SUCCESSOR SECTION, THE NAME AND ADDRESS OF
12 THE PERSON ARE INCLUDED ON THE RESIDENT INDIVIDUAL'S RETURN.

13 (b) IF THE RESIDENT INDIVIDUAL DOES NOT PROVIDE THE
14 TAXPAYER IDENTIFICATION NUMBER BUT IS ABLE TO SHOW THAT HE OR
15 SHE EXERCISED DUE DILIGENCE IN ATTEMPTING TO PROVIDE THE REQUIRED
16 INFORMATION, THE INDIVIDUAL MAY CLAIM THE CREDIT.

17 (c) A RESIDENT INDIVIDUAL MAY NOT CLAIM A CREDIT WITH
18 RESPECT TO A DEPENDENT UNLESS THE RESIDENT INDIVIDUAL INCLUDES
19 THE DEPENDENT'S NAME AND TAXPAYER IDENTIFICATION NUMBER ON THE
20 INDIVIDUAL'S RETURN.

21 (6) IN THE CASE OF A PART-YEAR RESIDENT, THE CREDIT IS
22 APPORTIONED IN THE RATIO DETERMINED UNDER SECTION 39-22-110 (1).

23 (7) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2018.

24

25 **SECTION 2. Appropriation.** In addition to any other
26 appropriation, there is hereby appropriated, out of any moneys in the
27 general fund, not otherwise appropriated, to the department of revenue,

1 for the fiscal year beginning July 1, 2014, the sum of \$61,381 and 0.6
2 FTE, or so much thereof as may be necessary, to be allocated to the
3 taxation business group for the implementation of this act as follows:

4 (a) \$26,661 and 0.6 FTE for personal services;

5 (b) \$10,000 for operating expenses; and

6 (c) \$24,720 for CITA annual maintenance and support.

7 **SECTION 3. Act subject to petition - effective date.** This act
8 takes effect at 12:01 a.m. on the day following the expiration of the
9 ninety-day period after final adjournment of the general assembly (August
10 6, 2014, if adjournment sine die is on May 7, 2014); except that, if a
11 referendum petition is filed pursuant to section 1 (3) of article V of the
12 state constitution against this act or an item, section, or part of this act
13 within such period, then the act, item, section, or part will not take effect
14 unless approved by the people at the general election to be held in
15 November 2014 and, in such case, will take effect on the date of the
16 official declaration of the vote thereon by the governor.