



FACT SHEET

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From the Colorado Fiscal Policy Institute

TAX CREDITS FOR WORKING FAMILIES

TAX CREDIT	FEDERAL/STATE	DESCRIPTION
Earned Income Tax Credit	Federal	The Earned Income Tax Credit (EITC) is a tax credit for working families and individuals who earn less than a specified yearly wage. This credit offsets the taxpayer's income tax liability or provides a refund if the family does not owe any taxes. The Federal EITC can be claimed by taxpayers earning too little to pay federal income taxes. The amount of the credit can range from a maximum of \$390 for an individual to a maximum of \$4,300 for a family with more than one child.
Earned Income Tax Credit	State	The state EITC was not available for tax years 2002 - 2004. The State of Colorado did not have a budget surplus for those fiscal years; thus the state EITC was suspended. The State EITC for 1999 was 8.5% of the Federal EITC and was raised to 10% of the Federal EITC for 2000 and later years. If the EITC is larger than the tax liability, the difference will be refunded to the taxpayer.
Child and Dependent Care Credit	Federal	The Child and Dependent Care Credit (CDCC) is available to working taxpayers who incur expenses for caring for dependents while they are working or looking for work. Dependents include children under the age of 13 and adult dependents incapable of caring for themselves. The credit is based on a percentage of the amount the taxpayer spent on dependent care up to \$3,000 for one dependent and \$6,000 for more than one dependent. The credit equals 20-35% of the qualifying dependent care expenses, depending on the taxpayer's income. The maximum credit possible is \$1,050 for families with one dependent and \$2,100 for families with two or more dependents. The CDCC is refundable to those who qualify, but is not available to families who earn too little to pay federal income taxes.
Child Care Tax Credit	State	The state Child Care Tax Credit is available to taxpayers who paid for child care expenses for children under the age 13, qualify for the federal credit and earn less than \$60,000 per year. The credit is equal to a percentage of the Federal Child and Dependent Care Credit: 50% if income is between \$0-\$25,000, 30% if income is between \$25,000-\$35,000 and 10% if income is between \$35,000-\$60,000. The maximum benefit is \$525 for a family with one qualifying child and \$1,050 for a family with 2 or more qualifying children. <i>The method of calculation may change each tax year and is dependent on whether there are excess state revenues in the prior year to be refunded to Colorado taxpayers. See p. 2 for full explanation.</i>
Child Tax Credit	Federal	The Child Tax Credit (CTC) is available to taxpayers with a dependent child under 17 years old, who earn less than \$75,000 for single parents and \$110,000 for married parents. The CTC is worth a maximum of \$1,000 but is not refundable except in certain cases where the taxpayer has more than two children and is eligible for the EITC. Because the CTC is not refundable, the taxpayer's credit will only be as much as his/her tax liability. For example, if a taxpayer owes \$350 in taxes, the CTC is only worth \$350. The CTC is partially refundable to families earning more than \$10,750 per year and is valued at 15% of taxable earned income over \$10,750.
Child Tax Credit	State	The State CTC is not available for tax years 2002, 2003 or 2004. The State of Colorado did not have a budget surplus for the fiscal years ending June 30, 2002, 2003 or 2004. <i>The method of calculation may change each tax year and is dependent on whether there are excess state revenues in the prior year to be refunded to Colorado taxpayers. See p. 2 for full explanation.</i>
Family Home Care Operator Credit	State	The Family Home Care Operator Credit is not available for tax years 2002, 2003 or 2004. The State of Colorado did not have a budget surplus for the fiscal years ending June 30, 2002, 2003 or 2004. <i>The method of calculation may change each tax year and is dependent on whether there are excess state revenues in the prior year to be refunded to Colorado taxpayers. See p. 2 for full explanation.</i>

COLORADO STATE CHILD CARE / CHILD TAX / FAMILY HOME CARE OPERATOR CREDITS

The calculations for the Colorado State Child Care,* Child Tax and Family Home Care Operator credits are dependent each year upon whether there are excess state revenues in the prior year that are to be refunded to Colorado taxpayers under section 20(7)(a) of Article X of the Colorado state constitution (TABOR Amendment).

METHOD OF CALCULATION ONE

- Applies if the excess revenue to be refunded is \$290 million or more.
- Tax years 2000 and 2001.
- Taxpayer must have federal adjusted gross income of \$64,000 or less.
- **CALCULATION:**
 - 1) Child Care Credit*: 70% of federal child care credit claimed minus the total of child tax credits computed in 2) and 3) below.
 - 2) Child Tax Credit: \$300 times the number of qualified children five years of age or under.
 - 3) Family Home Care Operator Child Tax Credit: \$300 times the number of qualified children of a family home care operator.

METHOD OF CALCULATION TWO

- Applies if the excess revenue to be refunded is less than \$290 million but greater than the anticipated credit.
- Tax Years 1998 and 1999.
- Taxpayer must have federal adjusted gross income of \$60,000 or less.
- **CALCULATION:**

The Credit will be the larger of:

 1. Child Care Credit*: 50% of federal child care credit claimed or
 2. Child Tax Credit: \$200 times the number of qualified children five years of age or under.

METHOD OF CALCULATION THREE

- Applies if neither of the conditions under Method One or Two exist.
- Tax Years 1997, 2002, 2003 and 2004
- Taxpayer must have federal adjusted gross income of \$60,000 or less.
- **CALCULATION:**

Child Care Credit* ONLY, as calculated below:

	<i>If federal adjusted gross income is more than</i>	<i>not more than</i>
50% of federal child care credit claimed	\$0	\$25,000
30% of federal child care credit claimed	\$25,000	\$35,000
10% of federal child care credit claimed	\$35,000	\$60,000

* The Colorado Child Care Credit is a percentage of the child care credit claimed for federal income tax purposes. Whereas the federal credit applies BOTH for children under the age of 13 and disabled dependents over the age of 12, the Colorado Child Care Credit is allowed ONLY with respect to the federal credit for the care of children under the age of 13.