Income Tax Topics: Child and Dependent Care Expenses Credit

COLORADO
Department of Revenue
Taxation Division

Colorado resident individuals may be allowed a refundable credit on their Colorado income tax return for eligible child and dependent care expenses they pay during the tax year. Among other requirements and restrictions, the credit is allowed only to taxpayers whose federal adjusted gross income does not exceed the applicable limit for the tax year.

For tax years 2025 and earlier, only individuals who claim a federal credit for child and dependent care expenses can claim the Colorado credit for child and dependent care expenses. Taxpayers who cannot claim a federal credit because they have no federal income tax liability may qualify for the low-income child care expenses credit. Please see Department publication *Income Tax Topics: Low-Income Child Care Expenses Credit* for additional information.

Beginning in tax year 2026, individuals can claim the Colorado child and dependent care expenses credit even if they cannot claim the federal credit for child and dependent care expenses because they have no federal income tax liability.

This publication is designed to provide general guidance regarding the child and dependent care expenses credit and to supplement guidance provided in the *Colorado Individual Income Tax Guide*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

For information about the child tax credit or the family affordability credit, please see Department publications *Income Tax Topics: Child Tax Credit* or *Income Tax Topics: Family Affordability Credit*, respectively.

Residency requirement

The credit is allowed only to Colorado residents. An individual may qualify for a credit if they are either a full-year resident or part-year resident of Colorado for the tax year. Individuals who are not Colorado residents are not eligible for the credit. Please see Part 1 of the *Colorado Individual Income Tax Guide* for additional information about Colorado residency.

Joint filing requirement

Generally, married couples must file a joint return to claim the credit. Please see the instructions for *IRS Form 2441* and *IRS Publication 503* for additional information regarding joint and separate filing for married couples.

Income limits

For tax years 2026 and earlier, an individual may claim a credit only if their federal adjusted gross income does not exceed $60,000. Beginning with tax year 2027, this limit will be adjusted annually for inflation.

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Credit calculation

The credit is based on the calculation of the federal child and dependent care expenses credit. For tax years 2025 and earlier, the Colorado credit is based on the federal credit the taxpayer actually claimed and was allowed for the same tax year.

For tax years 2026 and later, the Colorado credit is based on the full federal credit the taxpayer was eligible for, even if they could not claim the entire federal credit because they did not have sufficient federal tax liability. Individuals who cannot claim the federal credit must nonetheless complete *IRS Form 2441* to properly calculate the Colorado credit they can claim.

The credit for part-year residents is apportioned using the percentage on line 34 of their Colorado Form 104PN or 100%, whichever is less.

Claiming the credit

Taxpayers must file each of the following forms to claim the credit:

1) *Colorado Individual Income Tax Return (DR 0104)*;
2) *Individual Credit Schedule (Form 104CR)*; and
3) *Child Care and Dependent Expenses Tax Credit (DR 0347)*.

If the amount of the credit exceeds the taxpayer's Colorado income tax liability, the excess credit will be refunded to the taxpayer.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the child and dependent care expenses credit. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-22-119, C.R.S. Expenses related to child and dependent care – refundable credit against state tax.
- Rule 39-22-119. Child care expenses tax credit.
- 26 U.S.C. § 21. Expenses for household and dependent care services necessary for gainful employment.
- 26 CFR § 1.21-1. Expenses for household and dependent care services necessary for gainful employment.
- 26 CFR § 1.21-2. Limitations on amount creditable.
- 26 CFR § 1.21-3. Special rules applicable to married taxpayers.
- 26 CFR § 1.21-4. Payments to certain related individuals.

Forms and guidance

- *Tax.Colorado.gov*
- *Colorado Individual Income Tax Guide*
- *Income Tax Topics: Low-Income Child Care Expenses Credit*
- *Income Tax Topics: Child Tax Credit*
- *Income Tax Topics: Family Affordability Tax Credit*
- *Colorado Individual Income Tax Return (DR 0104)*
- *Individual Credit Schedule (DR 0104CR)*
- *Child Care Expenses Tax Credit (DR 0347)*
- *IRS Form 2441* – Child and Dependent Care Expenses
- *IRS Publication 503* – Child and Dependent Care Expenses