



Colorado resident individuals may be allowed one of two credits on their Colorado income tax return for child care expenses they pay during the tax year: the child care expenses credit and the low-income child care expenses credit. Among other requirements and restrictions, the credits are allowed only to taxpayers whose federal adjusted gross incomes do not exceed certain limitations. Additionally, the credits are allowed only for expenses paid for children under the age of 13. Both Colorado credits are refundable. If the credit allowed exceeds the taxpayer's Colorado tax liability, the excess credit is refunded to the taxpayer.

This publication is designed to provide general guidance regarding child care credits 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.

Residency requirements

Both the child care expenses credit and the low-income child care expenses credit are 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 either tax credit. 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 either the child care expenses credit or the low-income child expenses 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 limitations

An individual may claim either a child care expenses credit or a low-income child care expenses credit only if their federal adjusted gross income (AGI) does not exceed the application limitation, reflected in the following table:

Maximum allowable AGI for each credit

Credit	AGI Limitation
Child care expenses credit	\$60,000
Low-income child care expenses credit	\$25,000

If a taxpayer's AGI exceeds the limitations shown in the preceding table, they may not claim a Colorado credit for their child care expenses.

Eligible child care expenses

The child care expenses credit and the low-income child care expenses credit are allowed only for qualified expenses incurred for the care of children under the age of 13. Neither credit is allowed for expenses incurred for the care of a taxpayer's disabled spouse or disabled dependent over the age of 12 or for any expenses for which the taxpayer receives reimbursement from the Colorado Department of Human Services or from any other source. Additionally, the amount of child care expenses that can be considered in calculating the credit are limited to:

- In the case of an individual who files a single return, the individual's earned income for the year; or
- In the case of two individuals who file a joint return, the lesser of either individual's earned income for the year.

Please see the instructions for IRS Form 2441 and IRS Publication 503 for additional information regarding eligible child care expenses.

Credit qualifications and calculation

While the child care expenses tax credit and the low-income child care expenses tax credit are largely similar, the two credits have certain different qualifying criteria and are calculated using different formulas.

Child care expenses credit

The Colorado child care expenses credit is allowed only to individuals who claimed and were allowed a federal child care credit on their federal return. If the taxpayer could not claim a child care credit on their federal return because they did not have any federal income tax liability, they cannot claim a Colorado child care expenses credit, but they may be able to claim the low-income child care expenses credit.

The credit is calculated as a percentage of the taxpayer’s federal child care credit for the same tax year. For tax years 2019 and later, the child care expenses credit is equal to 50% of the federal child care credit the taxpayer claimed and was allowed for the same tax year. For tax years 2018 and prior, the percentage used to calculate the Colorado child care credit was based upon the taxpayer’s federal adjusted gross income (AGI) for the tax year. The applicable percentages for tax years 2018 and prior appear in the following table.

Credit Calculation for Tax Years 2018 And Prior

<i>Taxpayer’s AGI</i>	<i>Credit percentage</i>
\$25,000 or less	50% of the federal child care credit
More than \$25,000, but less than \$35,000	30% of the federal child care credit
More than \$35,001, but less than \$60,000	10% of the federal child care credit
More than \$60,000	No Colorado child care expenses credit is allowed

Low-income child care expenses credit

The low-income child care expenses credit is allowed for tax years 2014 through 2016 and tax years 2018 and later. The credit was not allowed for tax year 2017. An individual must meet all of the following requirements to qualify for the credit:

- the individual’s federal adjusted gross income (AGI) is \$25,000 or less;
- the individual cannot claim a federal child care credit because they have no federal income tax liability; and
- the individual would have been allowed to claim a federal child care credit if they had a federal income tax liability.

A taxpayer who meets all three of the preceding conditions and the requirements described on page 1 of this publication may claim the low-income child care expenses credit. The credit is equal to 25% of the eligible child care expenses, as described on page 1 of this publication, but cannot exceed the limits appearing in the following table, based on whether the credit is claimed for child care provided to one or more children.

Maximum Low-Income Child Care Expenses Credit

<i>Children receiving care</i>	<i>Maximum allowable credit</i>
One child	\$500
Two or more children	\$1,000

Part-year residents

Any child care expenses credit or low-income child care expenses credit claimed by a part-year resident of Colorado must be computed as described above and then apportioned by multiplying the credit amount by the percentage on line 34 of their Colorado Form 104PN or 100%, whichever is less.

Claiming Colorado child care credits

To claim either a child care expenses credit or a low-income child care expenses credit, a taxpayer must file a *Colorado Individual Income Tax Return* (DR 0104) with all of the following attachments:

- 1) *Individual Credit Schedule* (Form 104CR),
- 2) *Child Care Expenses Tax Credit* (DR 0347), and
- 3) a copy of federal Form 2441.

For electronically filed returns, a scanned copy of federal Form 2441 can be submitted either via e-file or by using the E-Filer Attachment function online at [Colorado.gov/Revenue Online](https://colorado.gov/RevenueOnline).

Refund for excess credit

If the amount of the child care expenses credit or the low-income child care credit exceeds the taxpayer's Colorado 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 Colorado child care credits. 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.

State statutes and regulations

- § 39-22-119, C.R.S. Expenses related to child care - credits against state tax.
- § 39-22-119.5, C.R.S. Child care expenses tax credit.
- Rule 39-22-119. Child care expense 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

- *Child Care Expenses Tax Credit* (DR 0347)
- *Individual Credit Schedule* (DR 0104CR)
- IRS Form 2441 - *Child and Dependent Care Expenses*
- IRS Publication 503 - *Child and Dependent Care Expenses*