

Colorado resident individuals may be allowed a refundable credit on their Colorado income tax return for eligible child care expenses they pay during the tax year, even if they cannot claim a federal credit because they have no federal income tax liability. Among other requirements and restrictions, the credit is allowed only to taxpayers whose federal adjusted gross income does not exceed \$25,000. Additionally, the credit is allowed only for expenses paid for children under the age of 13.

Taxpayers who claim a federal credit may qualify for the child and dependent care expenses credit. Please see Department publication *Income Tax Topics: Child and Dependent Care Expenses Credit* for additional information.

This publication is designed to provide general guidance regarding the low-income child 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 Tax Credit*, respectively.

Residency requirements

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.

Additional qualifications

An individual must meet all of the following requirements to qualify for the credit:

- the individual's federal adjusted gross income must be \$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.

Eligible child care expenses

The credit is allowed only for qualified expenses incurred for the care of children under the age of 13. No 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 Department of Early Childhood or from any other source.

Additionally, the amount of child care expenses that can be considered in calculating the credit are limited to the amount of the taxpayer's earned income for the year. In the case of two individuals who file a joint return, the expenses used to calculate the credit are 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 calculation

The credit is generally equal to 25% of the eligible child care expenses, subject to certain limits. If the taxpayer claims the credit for one child, the total allowable credit cannot exceed \$500. If the taxpayer claims the credit for two or more children, the total allowable credit cannot exceed \$1,000. 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 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 low-income child 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

- § 39-22-119.5, C.R.S. Child care expenses tax credit.
- Rule 39-22-119.5. Low-income 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](https://tax.colorado.gov)
- [Colorado Individual Income Tax Guide](#)
- [Income Tax Topics: Child and Dependent 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