

Colorado resident individuals who claim a credit for child care expenses on their federal income tax return can also claim a child care expenses tax credit on their Colorado income tax return. The Colorado credit is refundable. If the credit allowed exceeds the taxpayer's Colorado tax liability, the excess credit is refunded to the taxpayer.

WHO CAN CLAIM THE COLORADO CHILD CARE EXPENSES TAX CREDIT?

Individuals who meet **all** of the following criteria can claim a child care expenses tax credit on their Colorado income tax return.

- 1) The individual is either a full-year resident or part-year resident for the tax year.
- 2) The individual claims a credit for child care expenses on Form 2441 of their federal income tax return.
- 3) The individual's federal adjusted gross income (AGI) is \$60,000 or less.

Individuals who are not Colorado residents or whose adjusted gross income is greater than \$60,000 are not eligible for the child care expenses tax credit.

HOW IS THE COLORADO CHILD CARE EXPENSES TAX CREDIT CALCULATED?

The Colorado child care expenses tax credit is calculated as a percentage of the federal child care credit claimed on the taxpayer's federal income tax return for the same tax year. The percentage used in calculating the Colorado credit is based upon the taxpayer's federal adjusted gross income (AGI) for the tax year.

Percentages for Calculating Child Care Expenses Tax Credit

If the taxpayer's AGI is:	The Colorado child care expenses tax credit is:
Up to \$25,000	50% of the federal child care credit
From \$25,001 to \$35,000	30% of the federal child care credit
From \$35,001 to \$60,000	10% of the federal child care credit
\$60,001 or more	No Colorado child care expenses tax credit is allowed

Eligible child care expenses

The Colorado child care expenses tax credit is allowed only for qualified expenses properly claimed on federal Form 2441 and incurred for the care of children under the age of 13. If a taxpayer claims a credit on federal Form 2441 for expenses incurred for the care of their disabled spouse or disabled dependent over the age of 12, those expenses must be excluded from the calculation of the Colorado credit.

The credit is not allowed for any child care expenses for which the resident individual receives reimbursement from the Colorado Department of Human Services.

Part-year residents

Part-year residents can claim the child care expenses tax credit, but they must perform an additional step to calculate the credit they can claim. Part-year Colorado residents must **first** compute their Colorado child care expenses tax credit as described above and **then** multiply the credit amount calculated by the percentage on line 34 of their Colorado Form 104PN, except that the percentage the part-year resident uses in calculating the credit cannot exceed 100%.

HOW IS THE CHILD CARE EXPENSES TAX CREDIT CLAIMED?

To claim a child care expenses tax credit, a Colorado resident 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 schedule (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/RevenueOnline.



REFUNDABLE CREDIT

If the amount of the Colorado child care expenses tax credit exceeds the Colorado tax liability calculated on the tax return, the difference will be refunded to the taxpayer.

ADDITIONAL RESOURCES

- *State statutes and regulations*
 - § 39-22-119, C.R.S. Expenses related to child care - credits against state tax
 - 1 CCR 201-2, Regulation 39-22-119. Child Care/Child Tax Credit
- *Colorado forms, publications, and guidance*
 - Form DR 0347 - Child Care Expenses Tax Credit
 - Form 104CR - Individual Credit Schedule
 - FYI Income 35 - Child Care Contribution Credit
 - FYI Income 7 - Investment Credits for Licensed Child Care Centers, Family Care Homes and Employer Providing Licensed Child Care Facilities
- *Federal code and regulations*
 - 26 U.S.C. § 21. Expenses for household and dependent care services necessary for gainful employment
 - 26 CFR § 1.21-1, et seq. - regarding federal child and dependent care credits
- *IRS forms, publications, and guidance*
 - Form 2441 - Child and Dependent Care Expenses
 - IRS Publication 17 - Tax Guide for Individuals (Chapter 32 - Child and Dependent Care Credits)
 - IRS Publication 503 - Child and Dependent Care Expenses
 - Tax Topic 602 - Child and Dependent Care Credit

FYIs represent a good faith effort to provide general information concerning a variety of Colorado tax topics in simple and straightforward language. . By their nature, however, FYIs cannot and do not address all taxpayer situations nor do they provide a comprehensive overview of Colorado's tax laws. For this reason, FYIs are not binding on the Colorado Department of Revenue, nor do they replace, alter, or supersede Colorado law and regulations.

A taxpayer seeking additional guidance regarding the tax consequences of a particular transaction or factual scenario can request a Private Letter Ruling (PLR) or General Information Letter (GIL). Requests for PLRs and GILs must comply with certain requirements, which are currently set forth at 1 Code of Colorado Regulations 201-1, Regulation 24-35-103.5. PLRs are binding upon the Department only with respect to the specific taxpayer that requested the PLR. GILs are for informational purposes only and are not binding on the Department.