



FYI Income 7

Investment Credits for Licensed Child Care Centers, Family Care Homes and Employers Providing Licensed Child Care Facilities

DEFINITIONS

Child Care Center

A child care center is a facility, by whatever name it is called, that is maintained for all or part of a day for the care of five or more children who are 18 years of age or younger, and who are not related to the owner, operator, or manager. The facility may be operated with or without compensation for such care and with or without stated educational purposes. The term includes, but is not limited to, facilities commonly known as day care centers, school-age child care centers, before and after school programs, nursery schools, kindergartens, preschools, day camps, summer camps, and centers for developmentally disabled children. "Child care center" also includes those facilities that give 24-hour care for children and includes those facilities for children under the age of six years with stated educational purposes operated in conjunction with a public, private or parochial college or private or parochial school. The term shall **not** apply to any kindergarten maintained in connection with a public, private, or parochial elementary school system of at least six grades [§26-6-102(1.5) C.R.S.]

Family Child Care Home

A family child care home is a facility for child care in a place of residence of a family or person for the purpose of providing less than 24-hour care for children under the age of 18 years who are not related to the head of such home.[§26-6-102(4) C.R.S.]

Foster Care Home

A foster care home is a facility that is certified by a county department or a child placement agency for child care in a place of residence of a family or person. The foster care home provides 24-hour family care for a child under the age of 18 years who is not related to the head of such home, except in the case of relative care. The term includes any foster care home receiving a child for regular 24-hour care and any home receiving a child from any state-operated institution for child care or from any child placement agency. "Foster care home" also includes those homes licensed by the Department of Human Services that do not receive money from the counties nor children placed by the counties. [C.R.S. § 26-6-102(4.5)]

CHILD CARE CENTER, FAMILY CHILD CARE HOME, OR FOSTER CARE HOME INVESTMENT CREDIT

Taxpayers who operate a child care center, family child care home, or foster care home and who invest in qualified tangible personal property to be used in the operation of such facility may claim an investment tax credit equal to 20% of the investment. The facility must be licensed pursuant to the provisions of Section 26-6-104 C.R.S. [§39-22-517(1) C.R.S.]

INVESTMENT CREDIT FOR EMPLOYERS WHO PROVIDE CHILD CARE FACILITIES FOR EMPLOYEES

Employers who provide child care facilities for the benefit of their employees can claim an investment tax credit. The tax credit is equal to 10% of the employer's investment during the tax year in qualified tangible personal property to be used in the operation of the child care facility. The facility must be incidental to the employer's business and must be licensed pursuant to Section 26-6-104 C.R.S. [§39-22-517(2) C.R.S.]

RESTRICTIONS

To the extent that either of these credits exceed the taxpayer's income tax liability reduced by other credits, such excess may be carried forward for up to three income tax years. [§39-22-517(3) C.R.S.]

What qualifies as tangible personal property for the purposes of these investment credits?

Property (other than real estate) used in the child care business or in the family care home business which qualifies as depreciable property for federal income tax purposes. This includes tangible personal property, which wears out and has a determinable life that exceeds one year. This also includes Section 179 property, which is expensed rather than capitalized. For example, if 20% of the cost of a van is for child care purposes, 20% of the expenditure for the van would qualify for the credit. If 10% of stove or refrigerator use is for the child care business, then 10% of the cost of the appliance would qualify for the credit. Property purchased for immediate consumption or which has a very limited life, such as food, diapers, office supplies and paper products, does not qualify as an investment for the purposes of this credit

NOTE: Assets that were on hand when the credits went into effect do not qualify.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.