

Potential Changes in Colorado's Child Care Contribution Credit

Background:

- A 50% Colorado Child Care Contribution or Tax Credit is available to taxpayers who make a monetary contribution to a qualifying non-profit organization that promotes child care.
- Qualifying licensed agencies and programs include child care centers, child care homes, foster care homes, residential child care facilities, child care programs including licensed and registered after school programs, child care financial assistance programs, programs that provide training for child care providers, child care information and referral programs.
- United Way of Weld County has a qualified Child Care Fund that supports several qualifying programs. Donors who make contributions to this fund receive a Colorado Tax Credit.
- Credit equals 50% of qualifying contributions. Contribution receives a 50% tax credit.
- Credit is capped at \$100,000 per year.
- Credit allowed cannot exceed the tax liability for the year.
- Credit can be carried over for 5 years.
- Credit is in addition to a contributor's state and federal deduction for their contribution and in the case of companies in United Way of Weld County Family Business Consortium in addition to the 25% federal tax credit received for contracting for child care for employees.

Potential Change:

- Beginning in 2011 the availability of the credit for a given year is contingent upon the growth of the Colorado General Appropriations Fund. The Fund must grow by 6%.
- If 6% is not anticipated, the credit is suspended for that tax year. The credit can be delayed and claimed in the following year(s) when 6% growth is achieved.
- Whether or not the 6% is reached is determined on December 20, 2010. At the June 2010 mid year assessment the growth in the general appropriations fund was at 5.7%.
- Coordinated efforts are being taken by multiple non-profit organizations to eliminate the trigger but legislative timing and schedule may delay the impact of these efforts. This means there is a risk of the 2011 tax year being a suspended year for the Child Care Contribution Credit.