A BILL FOR AN ACT

CONCERNING AN INCOME TAX CREDIT FOR ELIGIBLE EARLY CHILDHOOD EDUCATORS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov/.)

Early Childhood and School Readiness Legislative Commission. For 5 income tax years, the bill creates a refundable income tax credit for an eligible early childhood educator who:

- Has an adjusted gross income below specified thresholds; and
- For at least 6 months of the taxable year, holds an early

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment. Capital letters or bold & italic numbers indicate new material to be added to existing statute. Dashes through the words indicate deletions from existing statute.
childhood professional credential and is either the head of a family child care home or is employed with an eligible early childhood education program or a family child care home.

The bill specifies that an early childhood education program must have achieved at least a level 2 quality rating under the Colorado shines quality rating and improvement system and either have fiscal agreements with the Colorado child care assistance program or meet the federal early head start or head start standards for a program. The amount of the credit is dependent on the eligible early childhood educator's credentialing level and is annually adjusted for inflation.

The department of human services, or a successor department, is required to provide the department of revenue with an electronic report of each individual who held an early childhood professional credential during the previous calendar year for which the credit is allowed.

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*Be it enacted by the General Assembly of the State of Colorado:*

**SECTION 1.** In Colorado Revised Statutes, add 39-22-543 as follows:

**39-22-543. Early childhood educator income tax credit - tax preference performance statement - legislative declaration - definitions - repeal.** (1) (a) The general assembly finds and declares that:

(I) The benefits of quality child care and early childhood education are well documented and a striking connection exists between children's learning experiences well before kindergarten and their later school success;

(II) Small business owners and parents who rely on child care to work would also experience lower turnover in child care staff when early childhood educators experience better economic stability; and

(III) When early childhood educators improve the quality of their education by receiving early childhood professional...
CREDENTIALS OR ATTAINING HIGHER CREDENTIAL LEVELS, IT IMPROVES THE QUALITY OF CHILDREN'S EARLY LEARNING EXPERIENCES.

(b) In accordance with section 39-21-304(1), the purpose of this tax expenditure is to:

(I) Induce certain designated behavior by taxpayers, which in this instance is for early childhood educators to receive an early childhood professional credential or to attain higher credential levels; and

(II) Provide tax relief for early childhood educators.

(c) The general assembly and the state auditor shall measure the effectiveness of the credit in achieving the purpose specified in subsection (1)(b)(I) of this section based on a comparison of the number of early childhood professional credentials at the various levels before and with the credit.

(d) The general assembly and the state auditor shall measure the effectiveness of the credit in achieving the purpose specified in subsection (1)(b)(II) of this section based on the number of credits that are claimed.

(2) As used in this section, unless the context otherwise requires:

(a) "Department" means the department of revenue.

(b) "Early childhood professional credential" means the early childhood professional credentials issued by the department of education, or a successor department, and designated as early childhood professional I, early childhood professional II, early childhood professional III, early childhood professional IV, early childhood professional V, and
"Eligible early childhood educator" means an individual who:

(I) Has a federal adjusted gross income less than or equal to seventy-five thousand dollars for an individual filing a single return, or has a federal adjusted gross income less than or equal to eighty-five thousand dollars for an individual filing a joint return; and

(II) For at least six months of the income tax year for which the credit is claimed:

(A) Holds an early childhood professional credential for at least six months of the income tax year for which the credit is claimed; and

(B) Is either the licensee of an eligible program or employed by an eligible program.

"Eligible program" means either an early childhood education program as defined in section 26-6.5-101.5 (6.5), or a licensed family child care home. An eligible program must:

(I) Have held at least a level two quality rating pursuant to the Colorado Shines Quality Rating and Improvement System established in section 26-6.5-106 for the income tax year for which the credit is claimed; and

(II) For the income tax year for which the credit is claimed, either:

(A) Have fiscal agreements with the child care assistance program, or CCCAP, established in part 8 of article 2 of title 26; or
(B) MEET THE FEDERAL STANDARDS FOR AN EARLY HEAD START OR HEAD START PROGRAM.

(e) "FAMILY CHILD CARE HOME" HAS THE SAME MEANING AS SET FORTH IN SECTION 26-6-102 (13).

(f) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR INDEX.

(3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2027, AN ELIGIBLE EARLY CHILDHOOD EDUCATOR IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT AS SET FORTH IN SUBSECTION (3)(b) OF THIS SECTION.

(b) (I) EXCEPT AS PROVIDED IN SUBSECTION (3)(b)(II) OF THIS SECTION, THE AMOUNT OF THE CREDIT EQUALS, FOR:

(A) FIVE HUNDRED DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL I, EARLY CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD PROFESSIONAL V, OR AN EARLY CHILDHOOD PROFESSIONAL VI;

(B) SEVEN HUNDRED FIFTY DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL II; AND

(C) ONE THOUSAND DOLLARS FOR AN EARLY CHILDHOOD PROFESSIONAL III.

(II) FOR THE INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2023, THE DEPARTMENT SHALL ADJUST THE CREDIT AMOUNTS SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION TO REFLECT INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED
IN THIS SECTION IS ALLOWED.

(c) Each eligible early childhood educator is only
allowed one credit per income tax year, even if the eligible
early childhood educator earns a higher level early childhood
professional credential in the same year. In such case, the
eligible early childhood educator's credit is based on the
highest early childhood professional credential attained
during the income tax year.

(4) The amount of the credit under this section that
exceeds the eligible early childhood educator's income taxes
due is refunded to the eligible early childhood educator.

(5) No later than January 1, 2023, and each January 1
thereafter through January 1, 2027, the Department of Human
Services, or a successor department, shall provide the
Department of Revenue with an electronic report of each
individual who held an early childhood professional credential
during the previous calendar year for which the credit is
allowed. The department shall include the following
information in the report, if available:

(a) The name of the individual who holds the early
childhood professional credential;

(b) The individual's social security number or tax
identification number;

(c) The highest level of early childhood professional
credential held by the individual during the year; and

(d) The length of time that the individual held an early
childhood professional credential at any level.
SECTION 2. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2022 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.