



FAQS APPROVED BY COLORADO'S DEPARTMENT OF REVENUE

WHAT IS THE *COLORADO CHILD CARE CONTRIBUTION TAX CREDIT*?

Taxpayers may make a *qualified* monetary contribution to promote child care in Colorado and claim a Colorado income tax credit up to \$100,000 per year for 50% of the total contribution.

HOW IS *PROMOTING CHILD CARE IN COLORADO* DEFINED?

Eligible purposes promoting child care include:

- The establishment or operation of a child care facility or program in Colorado
- A registered loan or grant program for parents in Colorado requiring financial assistance for child care
- A registered training program for child care providers in Colorado
- A registered information dissemination program that assists parents with child care information and referral services
- A registered grandfathered child care organization; grandfathered organizations may also accept contributions for the care of children ages 13-18

TO BE CONSIDERED A *QUALIFIED CHILD CARE FACILITY*, IT MUST BE *LICENSED* BY THE COLORADO DEPARTMENT OF HUMAN SERVICES. IF THE CHILD CARE FACILITY IS NOT LICENSED, HOW CAN IT BECOME A QUALIFIED CHILD CARE FACILITY FOR PURPOSES OF THE CHILD CARE CONTRIBUTION TAX CREDIT?

An *unlicensed* child care facility must register with the Colorado Department of Revenue in order for contributions to qualify for the credit. It may also become licensed with the Department of Human Services.

HOW DOES A CHILD CARE FACILITY REGISTER WITH THE COLORADO DEPARTMENT OF REVENUE IN ORDER TO RECEIVE CONTRIBUTIONS THAT QUALIFY FOR THE TAX CREDIT?

The child care facility must complete the *Unlicensed Child Care Organization Registration Application (DR 1318)* and specify the eligible programs for which the contributions will be utilized and include documentation regarding those specific programs.

CAN THE TAX CREDIT CREATE A COLORADO *INCOME TAX REFUND*?

No, the Colorado income tax credit may not exceed the tax liability for the year. Any credits that cannot be applied against the Colorado income tax in the year paid may be carried forward for up to five years.

WHAT *PROGRAMS OF AN UNLICENSED CHILD CARE FACILITY* QUALIFY FOR THE CHILD CARE CONTRIBUTION TAX CREDIT?

Qualifying programs must provide:

- child care services similar to those provided by a licensed child care facility;
- a grant or loan program for parents in Colorado requiring financial assistance for child care;
- training of child care providers in Colorado
- an information dissemination program in Colorado to provide information and referral services to assist parents in obtaining child care

DOES REGISTRATION OF UNLICENSED PROVIDERS WITH THE COLORADO DEPARTMENT OF REVENUE ASSURE THAT THE ORGANIZATION IS QUALIFIED TO ACCEPT CONTRIBUTIONS THAT QUALIFY FOR THE COLORADO CHILD CARE CONTRIBUTION TAX CREDIT?

No, the Colorado Child Care Contribution Tax Credit will be subject to review and/or audit to ascertain if the facility applies to the contribution to expenses that qualify for the credit.

TO BE CONSIDERED A QUALIFIED CHILD CARE FACILITY, DOES IT NEED TO BE A *NON-PROFIT* ORGANIZATION?

No, the child care facility *does not need to be a non-profit organization* as defined by the Internal Revenue.

WILL A CONTRIBUTION MADE TO A *FOR-PROFIT* BUSINESS QUALIFY FOR THE COLORADO CHILD CARE CONTRIBUTION TAX CREDIT?

Yes, however to qualify for the Colorado Child Care Contribution Tax credit the child care facility must use the proceeds of the monetary contribution for (1) acquisition or improvement of the child care facilities, (2) equipment or (3) services. Improving staff salaries, staff training and the quality of the child care provided by the facility are qualified expenditures which are paid out of the contributed funds.

WHERE CAN I FIND A LIST OF QUALIFIED CHILD CARE FACILITIES? <https://data.colorado.gov/Early-childhood/Colorado-Licensed-Child-Care-Facilities-Report/a9rr-k8mu/data>

AFTER MAKING A FINANCIAL CONTRIBUTION TO A QUALIFIED CHILD CARE FACILITY, HOW DO I REPORT THE COLORADO CHILD CARE CONTRIBUTION ON MY COLORADO INCOME TAX RETURN AND RECEIVE THE TAX CREDIT?

When a taxpayer claims the Colorado Child Care Contribution Tax Credit, the *DR 1317, "Child Care Contribution Tax Credit Certification"* must be completed by the qualified child care facility that receives the donation and provided to the donor/taxpayer. The form DR 1317 is then attached to the taxpayer's Colorado Income Tax Return.

CAN A BUSINESS MAKE A CONTRIBUTION TO A CHILD CARE FACILITY USED BY ITS EMPLOYEES?

The Colorado Child Care Contribution Tax Credit is designed to accommodate a monetary contribution without receiving any value in exchange for the contribution. If the donor receives consideration from the donee organization as part of the contribution, the Colorado Department of Revenue will categorized the transaction as a "sale" and will not be eligible for the Colorado Child Care Contribution tax credit. An example of a "sale" is when a business negotiates child care fee discounts for its employees in exchange for a contribution to the child care facility. However, if a business makes an otherwise qualified monetary contribution to a child care facility that is not made in exchange for, but which allows the facility to reduce fees for all children who attend the facility, the Colorado Child Care Contribution tax credit applies to the contribution even though children of its employees also utilize the child care facility.

THE BUSINESS IS AN OWNER OF THE CHILD CARE FACILITY, WILL A QUALIFIED CONTRIBUTION TO THE FACILITY BE ELIGIBLE FOR THE COLORADO CHILD CARE CONTRIBUTION TAX CREDIT?

No, a contribution in which the taxpayer or a person related to the taxpayer has a financial interest or ownership in the child care facility will not qualify for the Colorado Child Care Contribution Tax Credit.