HB 26-1004

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1004: CONTINUATION OF CHILD CARE CONTRIBUTION TAX CREDIT

Prime Sponsors:
Rep. McCluskie; Caldwell
Sen. Coleman; Simpson

Fiscal Analyst:
Louis Pino, 303-866-3556
louis.pino@coleg.gov

Published for: House Finance
Drafting number: LLS 26-0459

Version: Initial Fiscal Note
Date: January 27, 2026

Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill extends the child care contribution state income tax deduction for ten years beginning in tax year 2028.

Types of impacts. The bill extends an income tax credit set to expire, which will continue existing impacts beginning in FY 2027-28 through at least FY 2037-38, in the following areas:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	$0	-$21,500,000	-$44,100,000	-$46,600,000
State Expenditures	$0	$0	$0	$0
Transferred Funds	$0	$0	$0	$0
Change in TABOR Refunds	$0	-$21,500,000	not estimated	not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill extends the child care contribution income tax credit for ten years, from tax year 2028 through 2037.

Background

The state child care contribution tax credit is available through tax year 2027 for taxpayers who make monetary contributions to support child care in Colorado. The credit is nonrefundable, meaning that the amount claimed cannot exceed a taxpayer's income tax liability for a given year. The credit equals the lesser of 50 percent of the total contribution, up to $100,000 per taxpayer per year, or the taxpayer's actual income tax liability

Qualifying contributions include those to child care facilities, schools, or programs, as well as to provider training programs and grant or loan programs that assist parents with child care costs.

Assumptions

In tax year 2023, the most recent year for which data are available, taxpayers claimed 15,900 child care contributions credits worth an aggregate $33.0 million, representing an average amount of $2,073 per credit. For years beyond 2023, the average amount of the credit is assumed to grow by 4.7 percent annually, based on the compound average annual rate of growth in this figure between 2019 and 2023. The number of credits claimed is assumed to grow by the State Demography Office's 2025 projections for population growth. To the extent that the amount of the credit grows at a different pace than anticipated here, the impact on revenue will be correspondingly greater or less.

State Revenue

The bill is estimated to reduce General Fund revenue by $21.5 million in FY 2027-28 (a half-year impact), $44.1 million in FY 2028-29, $46.6 million in FY 2029-30, $49.2 million in FY 2030-31 and by similar increasing amounts through FY 2036-37, with a half-year impact occurring in FY 2037-38, when the credit is set to expire. The bill decreases individual and corporate income tax revenue, which is subject to TABOR.

State Expenditures

The DOR currently administers the existing state income tax credit. This bill extends the program, which will result in ongoing workload impacts and costs, but no additional appropriations are required.

The OSA performs an evaluation of all tax expenditures. It can examine these tax credits within its existing evaluations.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by $21.5 million in FY 2027-28. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save, in FY 2027-28 and any future years when the state is over its revenue limit.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Early Childhood

Human Services

Information Technology

Personnel

Revenue