

Taxpayers that make a qualifying monetary contribution to promote child care in Colorado may claim an income tax credit equal to 50% of the total qualifying contribution, subject to certain limitations. The contribution must be made to a qualifying child care facility or program. Taxpayers claiming the credit must provide to the Department a copy of the credit certificate prepared by the facility or program that received the contribution.

This publication is designed to provide general guidance regarding the child care contribution credit and to supplement guidance provided in the [Colorado Individual Income Tax Guide](#) and [Colorado Corporate Income Tax Guide](#). Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

Qualifying taxpayers

Any taxpayer that makes a qualifying contribution during the tax year can claim the credit. Individuals, estates, trust, and C corporations may all claim the credit for their qualifying contributions. In the case of a qualifying contribution made by a partnership or S corporation, the credit is allowed to its partners or shareholders.

Qualifying contributions

Contributions must meet the following three requirements to qualify for the credit.

- 1) The contribution must be monetary.
- 2) The contribution must be made to a qualifying child care facility or program to promote child care in Colorado, as described below.
- 3) The contribution must be used by the recipient to promote child care for children 12 years of age and younger.
- 4) The contribution must be certified by the recipient.

Monetary contributions

A monetary contribution is a contribution of U.S. currency in any form, including cash and payments made by check, electronic funds transfer (EFT), debit card, or credit card. A qualified charitable distribution of cash made from an individual retirement account (IRA) to a qualifying child care facility or program is considered a monetary contribution. Please see [IRS Publication 590-B](#) for additional information regarding qualified charitable distributions.

Investment funds

Money donated to a qualified facility or program may be invested by that facility or program in an account that provides future payments to the facility or program. The interest and the principal, when removed from the account in any future year, must be utilized 100% for qualifying child care purposes for the original contribution to qualify for the credit.

Qualifying child care facilities and programs

Credit is allowed only for contributions made to one of the following qualifying child care facilities or programs:

- Child care facilities licensed by the applicable state agency;
- Unlicensed child care programs registered with the Department of Revenue;
- Grandfathered child care programs registered with the Department of Revenue; and
- Other child care programs registered with the Department of Revenue.



Licensed child care facilities

Qualifying contributions include monetary contributions made for the establishment or operation of one of the following licensed child care facilities that uses the donation to provide child care:

- A child care center licensed by the Colorado Department of Early Childhood;
- A family child care home licensed by the Colorado Department of Early Childhood;
- A child placement agency licensed by the Colorado Department of Human Services;
- A homeless youth shelter licensed by the Colorado Department of Human Services;
- A residential child care facility licensed by the Colorado Department of Human Services;
- A secure residential treatment center licensed by the Colorado Department of Human Services; or
- A foster care homes certified by a county department or a child placement agency licensed by the Colorado Department of Human Services; or
- An approved facility school, defined in section 22-2-402 (1), C.R.S., that is also affiliated with a licensed or certified hospital in Colorado and is also a nonprofit organization.

A list of child care centers and family child care homes licensed by the Colorado Department of Early Childhood can be found online at [Coloradoshines.com/search](https://coloradoshines.com/search).

Unlicensed child care programs

Qualifying contributions include monetary contributions made for the establishment or operation of a child care program that is not a licensed child care facility but provides child care services similar to those provided by a child care center licensed by the Colorado Department of Early Childhood or the Colorado Department of Human Services. Unlicensed child care programs must register with the Department of Revenue to qualify for the credit. A program can apply for registration by completing and submitting [form DR 1318](#), Unlicensed Child Care Organization Registration Application. A list of registered unlicensed child care programs is available online at Tax.Colorado.gov/income-tax-credits.

Grandfathered child care programs

Qualifying contributions include monetary contributions made for the establishment or operation of a program that received donations for which a credit was allowed for any income tax year that ended before January 1, 2004. These grandfathered programs are child care programs that qualified for the credit prior to [House Bill 04-1119](#) but did not qualify after as the result of changes made by the bill, such as the restriction of the credit to contributions made for care of children age 12 or younger. Grandfathered programs must register with the Department of Revenue to qualify for the credit. A program can apply for registration by completing and submitting [form DR 1319](#), Child Care Contribution Tax Credit Grandfathered Organization Application.



Other unlicensed child care programs

Qualifying contributions include monetary contributions made to the following types of programs if they have registered with the Department of Revenue:

- A grant or loan program for parents in Colorado requiring financial assistance for child care;
- A training program for child care providers in Colorado; or
- An information dissemination program in Colorado to provide information and referral services to assist parents in obtaining child care.

These types of programs must register with the Department of Revenue to qualify for the credit. A program can apply for registration by completing and submitting [form DR 1318](#), Unlicensed Child Care Organization Registration Application. A list of registered unlicensed child care programs is available online at [Tax.Colorado.gov/income-tax-credits](https://tax.colorado.gov/income-tax-credits).

Certification

Donors must obtain a completed [form DR 1317](#), Child Care Contribution Credit Certificate, from the qualifying child care facility or program that received the contribution. Taxpayers claiming the credit must submit a copy of the certificate with their Colorado income tax return claiming the credit.

Dual-use contributions

If a contribution is used for both qualifying and nonqualifying purposes, the credit is allowed only for the part of the contribution used for qualifying purposes. The child care facility or program receiving the contribution must state only the amount of the contribution used for qualifying purposes on the certificate. Please see [1 CCR 201-2](#), Rule 39-22-121(10)(b) for guidance regarding the allocation of contributions for qualifying and nonqualifying purposes. Examples of such contributions requiring allocation include:

- contributions made to a licensed child care center that provides care for qualifying children age 12 and under as well as nonqualifying children age 13 and over;
- contributions made to a church that uses part of the donation to fund its qualifying child care center and part to fund other nonqualifying charitable functions; and
- contributions to a community center construction project that includes both a qualifying child care center as well as other nonqualifying facilities.

If a qualifying child care facility or program accepts contributions earmarked for only qualifying activities, the full contribution will qualify for the 50% credit. The qualifying facility or program must have accounting procedures in place to verify that those donations are indeed utilized entirely for eligible child care purposes and no funds are utilized for nonqualifying purposes. A separate fund cannot be arbitrarily set up to accept donations for the child care facility while funds from other sources (such as federal or state funds, charitable organizations, nonresident donors) are used to pay other expenses that would not qualify for the credit. Please see [1 CCR 201-2](#), Rule 39-22-121(10)(c) for additional information.



Nonqualifying contributions

Contributions do not qualify for the credit in any of the following situations:

- The contribution is not directly related to promoting child care in Colorado.
- The contribution is made to a child care facility in which the taxpayer or a person related to the taxpayer has a financial interest.
- The contribution is made to a for-profit business and is not directly invested in the acquisition or improvement of facilities, equipment, or services, including the improvement of staff salaries, staff training, or the quality of child care.
- The donor receives consideration from the donee organization in exchange for the contribution.
- The contribution is a contribution of services or property (including shares of stock).

Credit calculation

The credit is equal to 50% of the qualifying contribution made during the tax year, subject to certain limitations. The credit allowed for contributions made during any one tax year cannot exceed \$100,000. The \$100,000 limitation applies jointly to two taxpayers filing a joint income tax return together.

Credit carryforwards

The credit a taxpayer can use for any tax year is limited to the taxpayer's net tax liability. If the allowable credit exceeds the taxpayer's net tax liability, the taxpayer can carry forward the excess credit for application toward the tax due for subsequent tax years. Credits may be carried forward up to five tax years, but they must be applied first to the earliest income tax years possible. Any credit that has not been used within the carryforward period expires and is no longer available to the taxpayer.

Claiming the credit

Taxpayers must complete and submit the appropriate credit schedule (e.g., form DR 0104CR, DR 0112CR, etc.) with their Colorado income tax return to claim the credit. They must also submit a copy of [form DR 1317](#), Child Care Contribution Credit Certificate, received from the child care facility or program that received the contribution. Taxpayers may submit the certificate either along with their return or by using the E-Filer Attachment function online at Colorado.gov/RevenueOnline.

In the case of contribution made by a partnership or an S corporation, the credit passes through to the partners or shareholders. The partners and shareholders must submit a copy of the credit certificate with their return claiming their share of the credit.



Effect of credit on federal tax

Certain contributions may qualify for both the child care contribution credit and the federal charitable contribution deduction. However, federal regulation limits the federal deduction allowed for contributions that result in state income tax credits. Please see [26 CFR § 1.170A-1\(h\)\(3\)](#) and [IRS Publication 526](#) for additional information.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the child care contribution credit. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- [§ 39-22-121, C.R.S.](#) Credit for child care facilities.
- [Rule 39-22-121.](#) Child Care Contribution Credit.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Individual Income Tax Guide](#)
- [Colorado Corporate Income Tax Guide](#)
- [Child Care Contribution Credit Certificate \(DR 1317\)](#)
- [Unlicensed Child Care Organization Registration Application \(DR 1318\)](#)
- [Child Care Contribution Tax Credit Grandfathered Organization Application \(DR 1319\).](#)