

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 22-0202.02 Ed DeCecco x4216

HOUSE BILL 22-1010

HOUSE SPONSORSHIP

Sirota and Van Beber, Kipp

SENATE SPONSORSHIP

Buckner and Kirkmeyer, Story

House Committees

Education
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING AN INCOME TAX CREDIT FOR ELIGIBLE EARLY**
102 **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.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds and declares that:

4 (a) Demand for early childhood educators and directors is
5 expected to increase by nearly twenty-five percent over the next ten years,
6 a rate that is even faster anticipated growth than for kindergarten through
7 twelfth grade educators, and the growth rates for early childhood
8 professionals are high everywhere, but are double in rural counties
9 compared to urban counties and highest in frontier counties;

10 (b) The early care and education sector is comprised almost
11 exclusively of women, forty percent of whom are people of color, and
12 failure to invest in this profession undermines the economic opportunity
13 of early educators and their ability to support the education of the children
14 in their classroom;

15 (c) These educators represent the most racially diverse sector of
16 the teaching workforce, compared to kindergarten through twelfth grade
17 and postsecondary education, but early educators are among the

1 lowest-paid professionals in every state, including Colorado;

2 (d) On average, early childhood educators earn less than half of
3 the salary of kindergarten teachers and over one-third report receiving
4 subsidies from public assistance programs to make ends meet;

5 (e) Low pay and instability in the early childhood sector contribute
6 to high turnover rates with half of all early childhood education
7 professionals changing jobs within three years;

8 (f) The COVID-19 pandemic has exacerbated the challenges
9 facing the recruitment, retention, and professional development of the
10 early childhood workforce at a time when the need for access to early care
11 and education is acute for working families, and women in particular, to
12 be able to enter the workforce; and

13 (g) Investments in the early care and education workforce have a
14 significant return on investment with every dollar invested in the early
15 care and education sector resulting in two dollars and twenty-seven cents
16 in output in the state economy and every job created in the early care and
17 education sector resulting in an additional nearly one and one-half new
18 jobs in the state economy.

19 (2) Now, therefore, the general assembly declares that supporting
20 the early childhood workforce with a targeted tax credit can support
21 stability in the industry and, in turn, support working families, child
22 development, and economic growth.

23 **SECTION 2.** In Colorado Revised Statutes, **add** 39-22-543 as
24 follows:

25 **39-22-543. Early childhood educator income tax credit - tax**
26 **preference performance statement - legislative declaration -**
27 **definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY FINDS AND

1 DECLARES THAT:

2 (I) THE BENEFITS OF QUALITY CHILD CARE AND EARLY CHILDHOOD
3 EDUCATION ARE WELL DOCUMENTED AND A STRIKING CONNECTION EXISTS
4 BETWEEN CHILDREN'S LEARNING EXPERIENCES WELL BEFORE
5 KINDERGARTEN AND THEIR LATER SCHOOL SUCCESS;

6 (II) SMALL BUSINESS OWNERS AND PARENTS WHO RELY ON CHILD
7 CARE TO WORK WOULD ALSO EXPERIENCE LOWER TURNOVER IN CHILD
8 CARE STAFF WHEN EARLY CHILDHOOD EDUCATORS EXPERIENCE BETTER
9 ECONOMIC STABILITY; AND

10 (III) WHEN EARLY CHILDHOOD EDUCATORS IMPROVE THE QUALITY
11 OF THEIR EDUCATION BY RECEIVING EARLY CHILDHOOD PROFESSIONAL
12 CREDENTIALS OR ATTAINING HIGHER CREDENTIAL LEVELS, IT IMPROVES
13 THE QUALITY OF CHILDREN'S EARLY LEARNING EXPERIENCES.

14 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), THE PURPOSE OF
15 THIS TAX EXPENDITURE IS TO:

16 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
17 WHICH IN THIS INSTANCE IS FOR EARLY CHILDHOOD EDUCATORS TO
18 RECEIVE AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL OR TO ATTAIN
19 HIGHER CREDENTIAL LEVELS; AND

20 (II) PROVIDE TAX RELIEF FOR EARLY CHILDHOOD EDUCATORS.

21 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
22 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE
23 SPECIFIED IN SUBSECTION (1)(b)(I) OF THIS SECTION BASED ON A
24 COMPARISON OF THE NUMBER OF EARLY CHILDHOOD PROFESSIONAL
25 CREDENTIALS AT THE VARIOUS LEVELS BEFORE AND WITH THE CREDIT.

26 (d) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
27 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE

1 SPECIFIED IN SUBSECTION (1)(b)(II) OF THIS SECTION BASED ON THE
2 NUMBER OF CREDITS THAT ARE CLAIMED.

3 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
4 REQUIRES:

5 (a) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

6 (b) "EARLY CHILDHOOD PROFESSIONAL CREDENTIAL" MEANS THE
7 EARLY CHILDHOOD PROFESSIONAL CREDENTIALS ISSUED BY THE
8 DEPARTMENT OF EDUCATION, OR A SUCCESSOR DEPARTMENT, AND
9 DESIGNATED AS EARLY CHILDHOOD PROFESSIONAL I, EARLY CHILDHOOD
10 PROFESSIONAL II, EARLY CHILDHOOD PROFESSIONAL III, EARLY
11 CHILDHOOD PROFESSIONAL IV, EARLY CHILDHOOD PROFESSIONAL V, AND
12 EARLY CHILDHOOD PROFESSIONAL VI.

13 (c) "ELIGIBLE EARLY CHILDHOOD EDUCATOR" MEANS AN
14 INDIVIDUAL WHO:

15 (I) HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL
16 TO SEVENTY-FIVE THOUSAND DOLLARS FOR AN INDIVIDUAL FILING A
17 SINGLE RETURN, OR HAS A FEDERAL ADJUSTED GROSS INCOME LESS THAN
18 OR EQUAL TO ONE HUNDRED FIFTY THOUSAND DOLLARS FOR AN
19 INDIVIDUAL FILING A JOINT RETURN; AND

20 (II) FOR AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR
21 WHICH THE CREDIT IS CLAIMED:

22 (A) HOLDS AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL FOR
23 AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR WHICH THE CREDIT
24 IS CLAIMED; AND

25 (B) IS EITHER THE LICENSEE OF AN ELIGIBLE PROGRAM OR
26 EMPLOYED BY AN ELIGIBLE PROGRAM.

27 (d) "ELIGIBLE PROGRAM" MEANS EITHER AN EARLY CHILDHOOD

1 EDUCATION PROGRAM AS DEFINED IN SECTION 26-6.5-101.5 (6.5), OR A
2 LICENSED FAMILY CHILD CARE HOME. AN ELIGIBLE PROGRAM MUST
3 HAVE HELD AT LEAST A LEVEL ONE QUALITY RATING PURSUANT TO THE
4 COLORADO SHINES QUALITY RATING AND IMPROVEMENT SYSTEM
5 ESTABLISHED IN SECTION 26-6.5-106 FOR THE INCOME TAX YEAR FOR
6 WHICH THE CREDIT IS CLAIMED.

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

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

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

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

21 (A) SEVEN HUNDRED FIFTY DOLLARS FOR AN EARLY CHILDHOOD
22 PROFESSIONAL I;

23 (B) ONE THOUSAND DOLLARS FOR AN EARLY CHILDHOOD
24 PROFESSIONAL II; AND

25 (C) ONE THOUSAND FIVE HUNDRED DOLLARS FOR AN EARLY
26 CHILDHOOD PROFESSIONAL III, EARLY CHILDHOOD PROFESSIONAL IV,
27 EARLY CHILDHOOD PROFESSIONAL V, OR EARLY CHILDHOOD

1 PROFESSIONAL VI.

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

7 (c) EACH ELIGIBLE EARLY CHILDHOOD EDUCATOR IS ONLY
8 ALLOWED ONE CREDIT PER INCOME TAX YEAR, EVEN IF THE ELIGIBLE
9 EARLY CHILDHOOD EDUCATOR EARNS A HIGHER LEVEL EARLY CHILDHOOD
10 PROFESSIONAL CREDENTIAL IN THE SAME YEAR. IN SUCH CASE, THE
11 ELIGIBLE EARLY CHILDHOOD EDUCATOR'S CREDIT IS BASED ON THE
12 HIGHEST EARLY CHILDHOOD PROFESSIONAL CREDENTIAL ATTAINED
13 DURING THE INCOME TAX YEAR.

14 (4) THE AMOUNT OF THE CREDIT UNDER THIS SECTION THAT
15 EXCEEDS THE ELIGIBLE EARLY CHILDHOOD EDUCATOR'S INCOME TAXES
16 DUE IS REFUNDED TO THE ELIGIBLE EARLY CHILDHOOD EDUCATOR.

17 (5) NO LATER THAN JANUARY 1, 2023, AND EACH JANUARY 1
18 THEREAFTER THROUGH JANUARY 1, 2027, THE DEPARTMENT OF HUMAN
19 SERVICES, OR A SUCCESSOR DEPARTMENT, SHALL PROVIDE THE
20 DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF EACH
21 INDIVIDUAL WHO HELD AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL
22 DURING THE PREVIOUS CALENDAR YEAR FOR WHICH THE CREDIT IS
23 ALLOWED. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING
24 INFORMATION IN THE REPORT, IF AVAILABLE:

25 (a) THE NAME OF THE INDIVIDUAL WHO HOLDS THE EARLY
26 CHILDHOOD PROFESSIONAL CREDENTIAL;

27 (b) THE INDIVIDUAL'S SOCIAL SECURITY NUMBER OR TAX

1 IDENTIFICATION NUMBER;

2 (c) THE HIGHEST LEVEL OF EARLY CHILDHOOD PROFESSIONAL
3 CREDENTIAL HELD BY THE INDIVIDUAL DURING THE YEAR; AND

4 (d) THE LENGTH OF TIME THAT THE INDIVIDUAL HELD AN EARLY
5 CHILDHOOD PROFESSIONAL CREDENTIAL AT ANY LEVEL.

6 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2031.

7 **SECTION 3. Act subject to petition - effective date.** This act
8 takes effect at 12:01 a.m. on the day following the expiration of the
9 ninety-day period after final adjournment of the general assembly; except
10 that, if a referendum petition is filed pursuant to section 1 (3) of article V
11 of the state constitution against this act or an item, section, or part of this
12 act within such period, then the act, item, section, or part will not take
13 effect unless approved by the people at the general election to be held in
14 November 2022 and, in such case, will take effect on the date of the
15 official declaration of the vote thereon by the governor.