



Child Care Assistance, Licensing, and Ratings in Colorado

By Annie Scott

The quality of child care is a key concern for parents and policymakers. Child care allows parents to remain in the workforce and contributes to a child's development. This *issue brief* provides an overview of the financial assistance available to families needing child care, briefly describes the licensing of child care centers, and explains where to find child care quality ratings.

Financial Assistance for Child Care

Financial assistance for child care is available in the form of federal and state tax credits, and state subsidies for low-income families.

Federal Child and Dependent Care Tax Credit.

A family with earned income that files an Internal Revenue Service (IRS) Form 1040, 1040-SR, or 1040-NR may be eligible to claim a federal tax credit for the cost of care of one or more children aged 12 or younger. The credit is based on the family's adjusted gross income and can be no more than 50 percent of work-related child care expenses up to the IRS established cap. The federal tax credit may be refundable, allowing families to receive the credit in the form of a tax refund even if it exceeds their tax liability for the year.¹ The IRS publishes [guidance](#) each year that details income eligibility and total credit limits.

Colorado Child Care Tax Credit. The Colorado Child Care Tax Credit allows families within a specified gross income range to claim a tax credit for work-related child care expenses if a credit for these expenses was claimed on the family's federal tax

return. The credit amount is equal to 50 percent of the credit claimed on the family's federal tax return. The Colorado Child Care Tax Credit is refundable.

Colorado Child Care Assistance Program.

Low-income families may qualify for child care subsidies through the Colorado Child Care Assistance Program (CCCAP). This program is overseen by the Colorado Department of Early Childhood (CDEC) and administered by counties. Under CCCAP, counties receive an allocation of state funding and are responsible for setting eligibility standards and prioritizing assistance. Families may be placed on a waiting list if a county does not have sufficient funds to serve all applicants. Generally, families with incomes of up to 185 percent of the federal poverty level, but not exceeding 85 percent of the state median income, are eligible for CCCAP. Parents must be participating in a qualified activity such as work or job searching, to receive assistance.

Child Care Licensing and Quality

Facility licensing. Most types of facilities where children receive care must be licensed by the CDEC. The license type and specific regulations depend on the nature and size of the facility. A wide range of facilities that serve five or more children per day are licensed as child care centers. These child care centers may operate out of a place of residence or out of an independent facility. For young children up to age five, these facilities may include infant and toddler nurseries, day care providers, preschools, and certain non-school-based kindergartens. For older children, child care centers include school-age

¹ <https://www.irs.gov/pub/irs-pdf/p503.pdf>

child care programs, before- and after-school programs, and day camp and summer camp programs.

Inspections required for licensing. Prior to receiving a license from the CDEC, and at least every two years thereafter, all child care facilities, except family child care homes, must be inspected and have approved inspection reports from the local health department or the Colorado Department of Public Health and Environment and the local fire department.

Child care quality. Colorado Shines is a rating system for child care centers run by the CDEC. This program assigns ratings to child care centers on a scale of one to five. All child care centers are rated, with a licensed program automatically being assigned a Level 1. To advance to higher levels, a program must demonstrate success in areas such as workforce qualifications and professional development, the learning environment, and child health. Child care ratings are available on the Colorado Shines webpage [here](#).²

Facilities Exempt from Licensure

Certain child care providers may request a legal exemption from state licensing requirements. Examples of providers eligible for an exemption include a special school or class in religious instruction or operating for a single skill-building purpose, or a center associated with, and on the premises of, a church, shopping center, or business, providing no more than three hours of care for a child in a 24-hour period while the parent is on the premises.

Child care provision that is taking place in a home is considered a family child care home. Family child care homes are exempt from licensure when less than 24-hour care is provided to children who are all related to the caregiver or to each other, or if care is provided to no more than four children total, with no more than two children being under the age of two.

Resources

Federal Child and Dependent Care Tax Credit. Families may be eligible to claim a federal tax credit for the cost of care of one or more children. More information can be found here: <https://www.irs.gov/pub/irs-pdf/p503.pdf>

Colorado Child Care Tax Credit. Families may be eligible to claim a state tax credit for the cost of care of one or more children. More information on the credit can be found here: https://tax.colorado.gov/sites/tax/files/documents/IT_T_Child_Care_Credits_May_2021.pdf.

Colorado Child Care Assistance Program. Families with low incomes may qualify for child care subsidies. More information can be found here: <https://cdec.colorado.gov/colorado-child-care-assistance-program-for-families>.

Child Care Quality. Colorado Shines is a rating system for child care centers operated by the Colorado Department of Early Childhood. More information can be found here: <https://www.coloradoshines.com/families>.

County human services departments. Direct services for families, children and adults are typically provided by county human services departments. More information can be found using the map or alphabetical list found here: <https://cdhs.colorado.gov/our-partners/counties/contact-your-county-human-services-department>.

Colorado Peak. Screening and application for medical, food, cash, and early childhood assistance programs are available through the Colorado Peak website. More information can be found here: https://peak--coloradopeak.force.com/peak/s/peak-landing-page?language=en_US.

²<https://www.coloradoshines.com/families>