



COLORADO CENTER
on LAW & POLICY

SB 1: Tax relief for working families reduces poverty

CCLP Position: **Support**

FACT SHEET

Bill title: Colorado Working Families Economic Opportunity Act
Bill No.: SB-1
Sponsor: Sen. Kefalas & Sen. Morse, Rep. Kagan

Our position: Support

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This bill helps low-income working families statewide, reduces childhood poverty and improves children's health and education.

Child poverty is a growing problem in Colorado, and the Earned Income Tax Credit at the federal level is a proven poverty-reduction tool. Now Colorado has the opportunity to implement the EITC and a Child Tax Credit at the state level to help alleviate poverty for some Colorado families.

Many working Colorado families earn far less than what they need to meet their basic needs, such as housing, food, child care and transportation. For a family of three, for example, an income of less than \$19,530 per year is considered poverty. More than 200,000 Colorado children live in homes that meet that standard. And child poverty in Colorado has been getting worse, growing from 10 percent in 2000 to 18 percent in 2011. It marks the second highest rate of growth among states.

What SB-1 does:

As amended, the bill would make the Colorado Earned Income Tax Credit permanent and create a Child Tax Credit. Currently, the EITC is available only as a TABOR surplus refund mechanism in years when state revenue grows enough to trigger taxpayer refunds. The value of both credits would be a portion of the federal EITC and Child Tax Credits.

How does SB-1 help working families?

This bill provides a financial incentive that rewards low-income Colorado families that work. The bill provides tax credits that will boost the income of some Colorado families and allows them to spend the money on basic needs, such as car repairs, school supplies, utility payments, rent and diapers.

Who is served?

Low-income Coloradans who work, and their families, will benefit the most. In 2009, 323,264 Colorado tax filers claimed the Federal Earned Income Tax Credit, and would be eligible for the Colorado EITC. About 85 percent of those eligible claim the credit. Because it is administered through tax filings the EITC is particularly effective at reaching people who may not be familiar with other programs and benefits that serve low-income families. Most of the same filers would also qualify for the new Colorado child tax credit, although some very low income individuals without children can receive a small EITC, and some parents who fall outside the income limits for EITC would get a small child tax credit.

Colorado has had a State Earned Income Tax Credit on its books since 1999, but given the link to TABOR revenue surpluses, the EITC has not been paid since 2001. EITC is sound, proven and effective tax policy. It is time to fund it.