

**Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO**

**REVISED**

*This Version Includes All Amendments Adopted  
on Second Reading in the Second House*

LLS NO. 22-0202.02 Ed DeCecco x4216

**HOUSE BILL 22-1010**

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**House Committees**

Education  
Finance  
Appropriations

**Senate Committees**

Finance  
Appropriations

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**A BILL FOR AN ACT**

101      **CONCERNING AN INCOME TAX CREDIT FOR ELIGIBLE EARLY**  
102              **CHILDHOOD EDUCATORS, AND IN CONNECTION THEREWITH,**  
103              **MAKING AN APPROPRIATION.**

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**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

*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.*

SENATE  
Amended 2nd Reading  
May 4, 2022

HOUSE  
3rd Reading Unamended  
April 18, 2022

HOUSE  
Amended 2nd Reading  
April 14, 2022

- For at least 6 months of the taxable year, holds an early 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.

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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

1 and postsecondary education, but early educators are among the  
2 lowest-paid professionals in every state, including Colorado;

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

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

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

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

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

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

26 **39-22-543. Early childhood educator income tax credit - tax**  
27 **preference performance statement - legislative declaration -**

1 **definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY FINDS AND  
2 DECLARES THAT:

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

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

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

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

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

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

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

27 (d) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL

1 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE  
2 SPECIFIED IN SUBSECTION (1)(b)(II) OF THIS SECTION BASED ON THE  
3 NUMBER OF CREDITS THAT ARE CLAIMED.

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

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

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

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

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

21       

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

25 (III) FOR AT LEAST SIX MONTHS OF THE INCOME TAX YEAR FOR  
26 WHICH THE CREDIT IS CLAIMED, IS EITHER THE LICENSEE OF AN ELIGIBLE  
27 PROGRAM OR EMPLOYED BY AN ELIGIBLE PROGRAM.

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

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

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

15 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
16 JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2026, AN ELIGIBLE EARLY  
17 CHILDHOOD EDUCATOR IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED  
18 BY THIS ARTICLE 22 IN AN AMOUNT AS SET FORTH IN SUBSECTION (3)(b) OF  
19 THIS SECTION.

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

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

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

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

1 EARLY CHILDHOOD PROFESSIONAL V, OR EARLY CHILDHOOD  
2 PROFESSIONAL VI.

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

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

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

18 (5) NO LATER THAN JANUARY 1, 2023, AND EACH JANUARY 1  
19 THEREAFTER THROUGH JANUARY 1, 2026, THE DEPARTMENT OF HUMAN  
20 SERVICES, OR A SUCCESSOR DEPARTMENT, SHALL PROVIDE THE  
21 DEPARTMENT OF REVENUE WITH AN ELECTRONIC REPORT OF EACH  
22 INDIVIDUAL WHO HELD AN EARLY CHILDHOOD PROFESSIONAL CREDENTIAL  
23 DURING THE PREVIOUS CALENDAR YEAR FOR WHICH THE CREDIT IS  
24 ALLOWED. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING  
25 INFORMATION IN THE REPORT, IF AVAILABLE:

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

1 (b) THE INDIVIDUAL'S SOCIAL SECURITY NUMBER OR TAX  
2 IDENTIFICATION NUMBER;

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

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

7 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2030.

8 **SECTION 3. Appropriation.** (1) For the 2022-23 state fiscal  
9 year, \$156,743 is appropriated to the department of revenue. This  
10 appropriation is from General Fund. To implement this act, the  
11 department may use this appropriation as follows:

12 (a) \$125,991 for use by taxation services for personal services,  
13 which amount is based on an assumption that the department will require  
14 an additional 2.0 FTE;

15 (b) \$21,570 for use by taxation services for operating expenses;

16 (c) \$4,950 for tax administration IT system (GenTax) support;

17 (d) \$3,200 for use by the executive director's office for personal  
18 services; and

19 (e) \$1,032 for the purchase of document management services.

20 (2) For the 2022-23 state fiscal year, \$1,032 is appropriated to the  
21 department of personnel. This appropriation is from reappropriated funds  
22 received from the department of revenue under subsection (1)(e) of this  
23 section. To implement this act, the department of personnel may use this  
24 appropriation to provide document management services for the  
25 department of revenue.

26 **SECTION 4. Act subject to petition - effective date.** This act  
27 takes effect at 12:01 a.m. on the day following the expiration of the



1 ninety-day period after final adjournment of the general assembly; except  
2 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
3 of the state constitution against this act or an item, section, or part of this  
4 act within such period, then the act, item, section, or part will not take  
5 effect unless approved by the people at the general election to be held in  
6 November 2022 and, in such case, will take effect on the date of the  
7 official declaration of the vote thereon by the governor.