



FYI Income 27 Earned Income Credit

The Colorado earned income tax credit is available to Colorado residents for any tax year when the state's fiscal year ends with a "qualified surplus" as defined below.

NOTE: The earned income credit is not available for tax years 2002 through 2011 because the State of Colorado did not have a sufficient budget surplus for the fiscal years ending June 30, 2002 through June 30, 2011.

The credit is 10% of the federal credit. [§39-22-123(1)(b), C.R.S.]. If the earned income credit is larger than the tax liability calculated on the tax return, the difference will be refunded to the taxpayer. [§39-22-123(2), C.R.S.].

QUALIFIED SURPLUS

The qualified surplus that is needed for the earned income credit to be available in any given tax year is a \$86.1 million surplus that must be refunded under the Taxpayer's Bill of Rights (TABOR), section 20 (7) (a) of Article X of the state constitution. The \$86.1 million amount will be adjusted annually for the rate of growth of Colorado personal income.

PART-YEAR AND NONRESIDENTS

Part-year residents must multiply the Colorado credit by the percentage (not to exceed 100%) on line 34 of the Colorado 104PN schedule to determine the amount of credit they can claim based on their Colorado income. Nonresidents of Colorado are not eligible to claim the earned income credit.

Example: Dan and Sylvia Daveys were part-year residents of Colorado in 2001. Their federal earned income credit was \$1,644. The percentage from the 104PN schedule is 60.25%. The 2001 Colorado earned income credit is \$99 ($\$1,644 \times .1 = \$164 \times .6025 = \99).

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.