

The federal earned income tax credit is a refundable tax credit for low- and middle-income working individuals and families whose earnings are below an income threshold. The Colorado earned income tax credit is also refundable, is equal to ten percent of the federal earned income tax credit, and is allowed to full-year residents and part-year residents of Colorado.

WHO CAN CLAIM THE COLORADO EARNED INCOME TAX CREDIT?

Individual income taxpayers who meet **both** of the following conditions can claim a Colorado earned income credit on their Colorado income tax return.

- 1) The taxpayer is either a full-year resident or a part-year resident of Colorado for the tax year.
- 2) The taxpayer claims an earned income tax credit on their federal income tax return for the same tax year.

Nonresidents of Colorado cannot claim the Colorado earned income tax credit.

HOW IS THE COLORADO EARNED INCOME TAX CREDIT CALCULATED?

The Colorado earned income tax credit is equal to ten percent of the federal earned income tax credit the taxpayer claimed on his or her federal tax return for the same tax year. If the amount of the Colorado earned income credit exceeds the tax liability calculated on the tax return, the difference will be refunded to the taxpayer.

Part-year residents

The Colorado earned income tax credit claimed by a part-year resident must be apportioned in the same percentage as the part-year resident's Colorado tax. Part-year residents must multiply the tentative Colorado credit calculated as described above (10% of the part-year resident's federal earned income tax credit) by the percentage (not to exceed 100%) on line 34 of their Colorado Form 104PN.

Example: Chris and Terry Daveys were part-year residents of Colorado in 2017. Their federal earned income credit was \$1,644. The apportionment percentage on line 34 of their Form 104PN was 60.25%. The 2017 Colorado earned income tax credit they can claim is calculated as follows:

Example part-year resident credit calculation

Federal earned income tax credit		\$ 1,644
(times) Ten percent		<u>x 10%</u>
(equals) Tentative Colorado credit		\$ 164
(times) Apportionment percentage (Form 104PN, line 34)		<u>x 60.25%</u>
(equals) Colorado earned income tax credit		\$ 99

HOW IS THE COLORADO EARNED INCOME TAX CREDIT CLAIMED?

In order to claim a Colorado earned income tax credit, a taxpayer must complete and submit Form 104CR, Individual Credit Schedule, with their Colorado individual income tax return (Form 104). A taxpayer who claims the credit must enter on Form 104CR the amount of their earned income (calculated on their federal return), the amount of the federal earned income they claimed, and information about their qualifying children, if any.

EFFECT OF CREDIT ON OTHER FORMS OF PUBLIC ASSISTANCE

In determining an individual's eligibility for any other public or medical assistance benefits authorized under state law or under any other publicly funded programs, the Colorado earned income tax credit is not considered income.

ADDITIONAL RESOURCES

- *Colorado statutes and regulations*
 - § 39-22-123.5, C.R.S. Earned income tax credit.
- *Colorado forms, publications, and guidance*
 - Form 104CR - Individual Credit Schedule
- *Federal code and regulations*
 - 26 U.S.C. § 32. Earned income tax credit.
 - 26 C.F.R. § 1.32-2. Earned income credit for taxable years beginning after December 31, 1978.
 - 26 C.F.R. § 1.32-3. Eligibility requirements after denial of the earned income credit.
- *IRS forms, publications, and guidance*
 - irs.gov/credits-deductions/individuals/earned-income-tax-credit
 - Schedule EIC - Earned Income Credit
 - IRS Publication 596

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