



## FYI Income 34 Colorado Works Program Credit

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Colorado employers can claim a credit of 20% of their annual expenditures made to provide eligible services for their employees who receive public assistance pursuant to the "Colorado Works Program." The credit may not be claimed for more than two years with respect to each individual employee. [§39-22-521(1), C.R.S.]

"Eligible services" means services that are incidental to the employer's business and are included in the following categories:

- **Child Care Services.** The provision of child care services or the payment of the costs associated with child care services for children of employees receiving public assistance.
- **Health/Dental Services.** The provision of health or dental insurance for employees receiving public assistance. The health or dental insurance coverage, if less than the coverage provided through Medicaid, will be supplemented by Medicaid to provide full Medicaid benefits to the employee.
- **Job Training.** The provision of job training or basic education for employee receiving public assistance.
- **Transportation.** The provision of programs for the transportation of public assistance employees to and from work.

### QUALIFYING EXPENDITURES

The credit is limited to expenditures made for an eligible employee during the first two tax years of their employment. The expenditures must be specifically for the benefit of the eligible employee(s). **Example:** Tuition for a job training class for an eligible employee would be a qualified expenditure. The cost of running a job training program for qualified and non-qualified employees would not be a qualified expenditure, even if the costs were prorated based on the percentage of qualified versus non-qualified employees trained.

### COLORADO WORKS PROGRAM

The Colorado Works Program is the program of public assistance set forth in Part 7 of Article 2 of Title 26, Colorado Revised Statutes.

To obtain information on hiring potential employees through the Works Program or to obtain a letter of verification for records that a new employee is eligible for the Colorado Works Program Credit, contact the county Social/Human Services office. A list of county departments is available at: [www.cdhs.state.co.us](http://www.cdhs.state.co.us)

### DOCUMENTATION

Verification of the credit should not be filed with the income tax return. The documentation should be kept with the taxpayer's records in the case of a review or audit. In addition to proof of any eligible expenditure documentation must include a letter from the county Department of Social/Human Services to verify receipt of Colorado Works benefits that would qualify an employee for the credit. This letter can be obtained in two ways:

1. The employee can obtain verification (usually from their former eligibility technician) on county department letterhead of the time period they received public assistance. The employee should include with their request a letter from the employer that explains why the information is needed.
2. The employer can obtain the verification from the county department. The request must include a letter explaining why the information is needed and a signed release of information (ROI) from the employee authorizing release of the confidential information.

### GENERAL INFORMATION

The credit is in addition to any enterprise zone credits for which the employer may be eligible under Article 30 of Title 39. If the credit exceeds the taxpayer's tax liability, the excess credit will not be refunded, but may be carried forward to the following income tax year. Credits may be carried forward up to three years, but must be applied to offset tax in the earliest year possible.

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