

FAMILY AFFORDABILITY TAX CREDIT: A PLAN TO CUT CHILD POVERTY IN HALF

THE PROBLEM:

Colorado is unaffordable for too many families. Despite having one of the fastest growing economies in the US, 1 in 4 Colorado households are not able to afford their basic needs, including food, housing, clothing, and childcare. Families with children often struggle the most, with more than 250,000 households with children living without the essential resources they need.¹ These data vary significantly by race, with 27.9 percent of Native American families, nearly one in five Black families (17.8%), and one in eight Latino families (13.1%) living at or below the poverty line.² This means 133,463 of Colorado's children are living in poverty today.

When 83 percent of Colorado parents worry that their children will not be able to afford living here, we must invest in families and kids across the income spectrum and this proposal does just that.

OPPORTUNITY:

The good news is, there is something we can do about it. Colorado has the opportunity to harness just a portion of our \$1.8 billion TABOR surplus to **cut child poverty in half and make Colorado's child poverty rate by far the lowest in the country.**³ Data tells us that certain anti-poverty programs are incredibly effective at moving children and families out of poverty. Through refundable tax credits, families receive essential funding that helps them make ends meet, create greater family stability, and move out of poverty.

Reducing poverty strengthens Colorado's economy and fosters child brain development⁴, leading to short-term and long-term academic, health, and labor participation outcomes⁵, reduces family stress, and, most importantly, is a moral obligation we must all meet in order for our state to be a great place to live.

Anti-poverty programs are highly effective at keeping children out of poverty.

Count of U.S. Children under 18 kept out of poverty by select individual programs, as measured by the Supplemental Poverty Measure, 2021

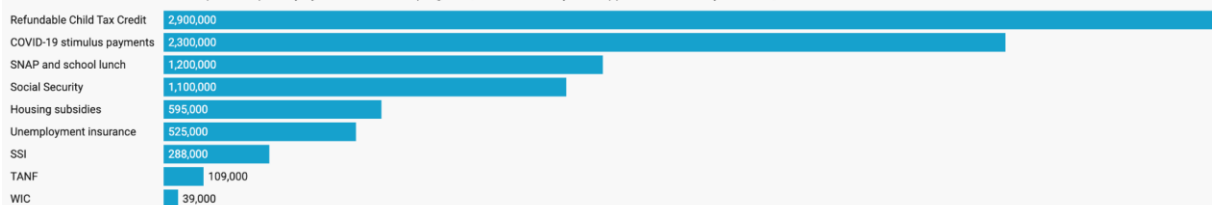


Chart: Colorado Children's Campaign • Source: U.S. Census Bureau • Created with Datawrapper

WHY NOW:

Colorado currently has over \$1.8 billion in TABOR surplus funding, with projections of even stronger reserves in the future. Those dollars are constitutionally obligated to be returned to Coloradans each year. How to best distribute those funds is at the legislature's discretion, but the IRS has indicated a flat refund will no longer be an option.

At a time when we have the resources available, it is imperative we distribute these dollars where they will have the **greatest impact on families and our economy.**

¹ <https://copolicy.org/resource/self-sufficiency-standard-for-colorado-2022/>

² <https://www.coloradokids.org/the-official-poverty-rate-in-colorado-dropped-in-2022-but-the-end-of-pandemic-era-protections-is-affecting-colorado-families-financial-stability/>

³ https://itep.org/state-child-tax-credits-and-child-poverty-50-state-analysis/#_edn1

⁴ <https://futureofchildren.princeton.edu/news/three-trimesters-three-years-promoting-early-development>

⁵ https://www.urban.org/urban-wire/permanently-expanding-child-tax-credit-would-increase-kids-lifetime-earnings-and?utm_source=newsletters&utm_campaign=UIU

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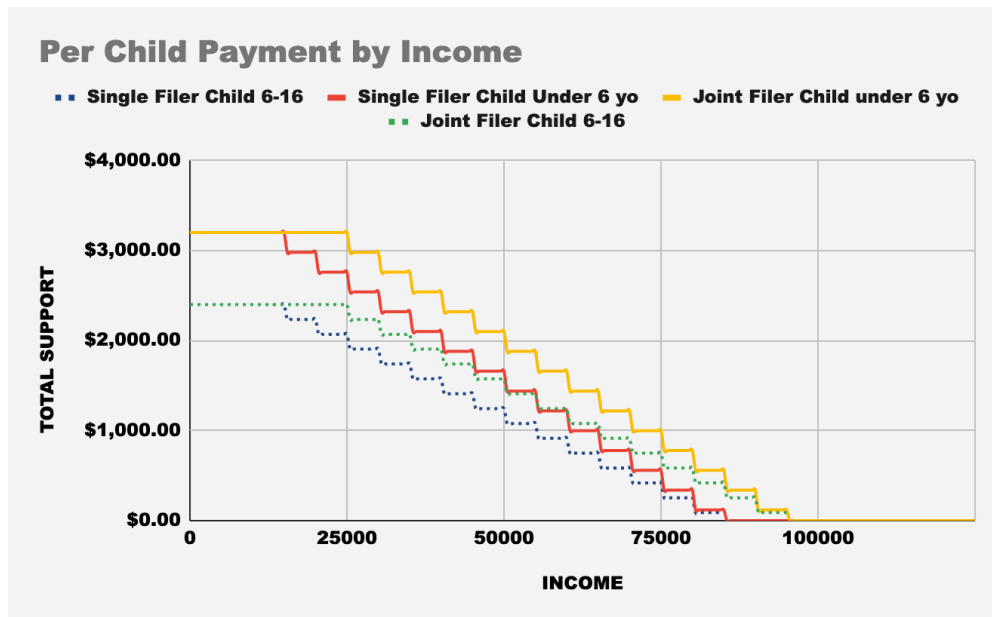
POLICY OVERVIEW:

The Family Affordability Tax Credit is designed to combine both depth of impact and breadth of eligible recipients. The proposal doubles down our investments for Colorado families in poverty, prioritizing those with children five and under. Simultaneously, it goes beyond other initiatives to serve more families by increasing the age of eligibility and level of family income, **supporting over 400,000 Colorado children per year.**

The proposal builds on the valuable foundation set through Colorado's Earned Income Tax Credit (EITC) and Child Tax Credit (CO's CTC). It would then go further to get critical dollars into the hands of those who need it most and set Colorado on a path to make the single greatest reduction in child poverty out of any state in the nation. Simultaneously, the Family Affordability Tax Credit will put additional dollars in the pockets of nearly 50% of families, helping them cover the costs of housing, food, and child care.

We will do this by:

- Increasing the contribution made to Colorado's lowest income families (families at or below the poverty level), with the deepest investment going to families with children 5 and under. When coupled with the existing state CTC, that will mean **\$4,400 per child aged 5 and under and \$2,400 per child up to 16 for families making under \$15,000 (single filer) and \$25,000 (joint filer).**
- Expand the eligible families beyond what the current state CTC provides by providing funding to families with children up to 16 years of age.
- Invests in families making up to \$95,000 per year to better support middle-income families.
- Advance innovative policy proposals, like the option for periodic payments to better support family budgeting, while protecting families most in need by making the credit fully refundable.



EXPECTED POLICY IMPACT:

Through this initiative, Colorado would lead the nation in common sense policy reforms that have been proven to cut child and family poverty in half. Colorado will serve as a national exemplar, and this policy will have both near-term and lasting positive impacts on family affordability, child development, and our economy. Now is the time to act on behalf of Colorado children and families.