In 2013, the Colorado Congress passed the “Colorado Working Families Economic Opportunity Act”. Under this act, taxpayers with children under 6 would receive a state tax credit that is a percentage of the federal Child Tax Credit (CTC). There are three tiers of incomes that are eligible for the credit. As families enter a higher tier of income, they would be eligible for a smaller credit.

The lowest tier of income is under $35,000 of federal adjusted gross income. Families in this tier would be eligible to receive a state credit equal to 30% of the federal CTC. The middle tier is for families between $35,001 and $60,000, who would be eligible for a credit equal to 15% of the federal CTC. The highest tier is for families between $60,001 and $75,000, who would be eligible for a credit equal to 5% of the federal CTC. Joint filers who have above $75,000 in income would not be eligible to claim this credit.

This tax credit never went into effect because it was conditional on the federal government passing the “Marketplace Fairness Act” or a similar law. Upon passage of HB19-1164,The Working Families Tax Credit Act, the CTC as described above would be enacted. The aim of this paper is to provide an economic analysis of the Child Tax Credit proposed under HB19-1164 to ensure that our laws best serve the citizens of Colorado.

The federal Child Tax Credit is a tax policy originally introduced in 1997. Since then, it has evolved and currently offers up to $2,000 dollars in credits to taxpayers in America who earn over $2,500 a year.

The government should intervene to ensure efficient use of a public good, to encourage a positive externality (or discourage a negative externality), to make a market more efficient when there is a market failure, or to redistribute to those in need. The W parental incomes rather than through any choices that the children themselves may have made.   This cost is incurred as a loss of human productivity due to poverty and increased costs due to crime and health costs (Fessler, 2019). The costs of not addressing poverty are afflicted on society, another externality.ß[f] white peers to stay in poverty in adulthood (Wagmiller, 2009). The government should intervene to remedy the structural barriers to minorities of getting out of poverty in order to provide equal opportunities to citizens.

There are many proposals for helping children born into poverty. However, one reason the CTC and other Earned Income Tax Credits are effective in mediating some of the impacts of being born into poverty is due to the parental investment model. According to this tested theory, the amount that parents invest in their children, both emotionally and financially, is dependent on the parent's income (Gershoff et al, 2007).

We can consider a family composed of two parents and two children to see the impact HB19-1164 could have. The poverty line for this type of family nationally is $24,858 (Lee, 2018). Suppose the family is filing their taxes in Colorado after the passage of this bill and has an income of $21,000. With a standard deduction of $24,400 in 2019 and a $4,000 credit from the federal CTC, the family would not pay any federal taxes and would be eligible to receive up to $2,800 in refunds via the federal CTC (IRS, 2018). Under HB19-1164, they would also receive a refund of $1,200 (30% of the federal amount) from the state, bringing their yearly income to 25,000, above the federal poverty line.

According to the fiscal note from, in 2015, it was estimated that 171,466 single and joint income tax filers would be eligible for Colorado’s proposed CTC at some level. Using numbers from the fiscal note, around 61% of the money allocated under HB19-1164 would be to single or joint filers in the lowest tier of income, who are most in need of redistributive measures from the government.

It is justifiable to have money going to those further away from the poverty line because the livable wage in Colorado is much higher than the national poverty line of $23,848. According to the Colorado Center on Law and Policy, a family with two parents and two kids would require between $48,621 and $78,254 to live sufficiently across, depending on the county (Pearce, 2015). Because of this, perhaps HB19-1164 should reconsider the maximum income based on what is livable in the state and who needs the aid from the government the most.

The cost of doing nothing to remedy poverty is high, both in lost opportunities and socially. HB19-1164 would benefit needy families with a a tax credit to help break the cycle of poverty. Therefore, HB19-1164 should be passed to encourage a more efficient future for Colorado.

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