

EITC Coalition

STATE EARNED INCOME TAX CREDIT CHRONOLOGY

The Federal Earned Income Tax Credit is a refundable tax credit benefitting low wage workers with children and individuals with extremely low wages. It was designed to help "make work pay" in cases where earnings fall far short of the income needed to meet a family's basic needs. For administrative simplicity, the Colorado EITC was designed as a percentage of the Federal EITC.

1999- Colorado EITC created at 8.5% of the Federal as a TABOR Refund Mechanism (One of 4 EITC bills). That same year, by same sponsor—Rep Gary McPherson (R) - the Income Tax rate was permanently lowered from 5% to 4.75%

2000- Rep. McPherson (R) sponsored legislation that raised the state EITC from 8.5% to 10%. The same year the income tax rate was permanently reduced from 4.75% to 4.63%. McPherson dies that fall.

2001 – Rep. Lynn Hefley (R) sponsors legislation to make the EITC permanent. Killed in House Appropriations

2002 – Rep. Lynn Hefley (R) and Sen. Doug Linkhart (D) sponsor legislation to make the EITC permanent in the future. Killed due to recession and lack of tax revenues

2003 – In recognition of the \$970 million budget shortfall, no bill was introduced to make the EITC permanent.

2005— Rep. Betty Boyd (D) and Rep. Ken Kester (R) sponsored legislation to make the State EITC Permanent. Killed in House Appropriations. Year of Referendum C. Making the EITC permanent was not part of the Ref C deal and passing any tax credit bills in the same year one asked the voters to retain revenue was seen as a mixed message.

2006- Rep. Boyd (D) was told it was not a good year to introduce the EITC bill, as voters could be suspicious of the granting of tax credits after asking for and receiving more revenue.

2007- Leadership agreed that restoring the State EITC was good policy, but was concerned that it be done in a way which preserves the TABOR base for Post Ref C. An "Earned Income Tax Rebate" bill was drafted with Rep. Kefalas (D) as Sponsor, but was not introduced due to concerns with its funding source.

2008 – Rep. John Kefalas (D) and Sen. Betty Boyd (D) sponsor HB 1362 which would fund the State EITC for two years at 10% of the Federal, using TANF and Unemployment Insurance Dollars. Killed in House Finance Committee.

2009 – We defeated SB 82 by Senator Schultheis (R), which would **abolish** the State EITC and all other TABOR refund mechanisms, except for the Sales Tax Refund. We continue to explore funding ideas for reinstating payment of the State EITC.

2010- Rep. John Kefalas (D) and Senator Paula Sandoval (D) sponsor HB 1002, which restores the State Earned Income Tax Credit to the #1 TABOR refund mechanism.

2013 –Sen. John Kefalas (D) & Sen John Morse (D) and Rep Daniel Kagan(D) sponsor SB1- which will make the State EITC permanent once it is triggered on by a TABOR surplus. The bill also creates Child Tax Credit for children under 6 contingent upon Congress passing the tax on internet sales.

2015 – A TABOR surplus triggers payment of the State EITC again and triggers its conversion to a permanent State EITC at 10% of the federal EITC.

State EITC was paid for tax years 1999, 2000 and 2001. It was not paid in 2002, 2003, 2004 and 2005 because there was insufficient tax revenue to have a TABOR surplus. It was not be paid for 2006 or 2007 tax year because Referendum C abolished the TABOR surplus. In the years since, there was not been a TABOR surplus. Finally, for tax year 2015, the State EITC became permanent.