



Moving Toward Equity: Lessons from Colorado's EITC Expansion

Background

In July 2020, [Colorado](#) Governor Jared Polis (D) [signed legislation](#) to increase the value of the state Earned Income Tax Credit (EITC) from 10 to 15 percent and expand eligibility to filers using Individual Taxpayer Identification Numbers (ITINs). This legislation was part of a larger tax package aimed at making the state tax code fairer. Colorado is one of the first states to decouple their state EITC from the federal credit to expand to ITIN filers, which will benefit [almost 47,190 workers throughout the state](#). This came at a particularly important moment as immigrant communities are excluded from most federal aid during the COVID-19 pandemic but [have some of the biggest barriers to overcome during economic recessions](#).

Colorado enacted their EITC in 1999, however its funding was contingent upon a revenue surplus. The credit was permanently funded at 10 percent of the federal credit in 2013 and became available to taxpayers in 2015. ITIN filers will be eligible for a 10 percent credit starting in tax year 2020 and all taxpayers will receive the increased 15 percent credit starting in tax year 2022.

At the start of their campaign, advocates fought to double the credit's value to 20 percent. However, their campaign abruptly ended when the COVID-19 pandemic shut down the state legislature in March. When legislators returned in May, a new window of opportunity arose to make the state tax code more equitable and generate revenue for the state by ending tax loopholes that benefited corporations and wealthy households. Thanks to strong allies in the General Assembly, the EITC increase and expansion for ITIN filers were included in the broader tax fairness package.

Campaign Structure and Strategy

The Colorado Fiscal Institute (CFI) credits this year's expansion victory to a multi-year effort to build strong relationships within the state legislature. Led by CFI, this campaign involved a diverse coalition of policy organizations, advocacy organizations, immigrant rights groups, and more. In an unprecedented and shortened legislative session, the coalition leveraged relationships built over time to seize a window of opportunity and secure a victory for Colorado's working families.

Prior to the start of the COVID-19 pandemic, the coalition's mission was to pass House Bill 20-1203, the [Helping Families Get Ahead Act](#), which would have expanded the state EITC from 10 to 20 percent of the federal credit. It would have also permanently funded the state's Child Tax Credit (CTC), which can only be funded when there is a revenue surplus. The ITIN expansion was not included in this original bill due to fears that it would be too controversial. The coalition highlighted the EITC and CTC's benefits for children and families, messaging that had been successful in previous campaigns. Advocates used robust social media campaigns and resources like fact sheets to educate policymakers and the public on how the credit helps families on the ground. For example, social media graphics highlighted different necessities the average Colorado EITC could pay for like two months of childcare.

CFI worked with community-based organizations to uplift the stories of Coloradans who claim the credit. Workers contributed their stories by testifying at the bill's first hearing, which was critical in humanizing the credit and highlighting how workers' lives would be changed by the expansion. To bolster their case, CFI used data to show how much the expansion would translate in dollars to each family. CFI broke that data down and created district-

level fact sheets for each legislator in the state House and Senate, which effectively showed specific legislators how their constituents would benefit from a larger credit. Their efforts paid off when the bill passed out of the House Finance Committee in early March.

However, before the bill could progress further, states across the country shut down to stop the spread of COVID-19. The Colorado General Assembly's session ended abruptly, halting all bills, and throwing many Coloradans into a financial crisis. When the session resumed briefly in May, Colorado, like many states, faced a significant budget shortfall. In their short three-week session, the General Assembly focused on passing a state budget and only considered bills that did not cost the state additional funds. With this new criterion, the [Helping Families Get Ahead Act](#) died. However, thanks to the coalition's strong relationships with legislative champions who understood the importance of the credit, a version of the EITC expansion was included in House Bill 20-1420, the Tax Fairness Act. This legislation decoupled certain tax breaks from the federal versions, closing tax loopholes that only benefited the wealthiest Coloradans. This version expanded the credit to 15 percent, which was lower than advocates originally wanted, but expanded access to the credit to ITIN filers. The revenue generated from the legislation, [almost \\$263 million](#), would pay for education programs and the EITC expansion, making the expansion revenue neutral.

Given the shortened session, advocates shifted their messaging and focus to policymakers to ensure the legislation passed. Advocates highlighted how immigrant filers contribute over \$100 million in state and local taxes but had been left out of most COVID-19 economic relief packages. The coalition faced significant pushback from the business community, who were against the larger tax fairness bill. Many pro-business legislators felt the tax fairness package was unfair to small businesses across the state who were already struggling from the shutdown. As advocates got closer to the end of the session, there were concerns that the legislation would fail. However, the coalition was able to mobilize quickly with data that showed that almost 99% of the benefits went to the top 5 percent of the state, not local small businesses. The coalition used extensive phone banking campaigns to reach out to legislators in the final hours of the session to emphasize who the tax breaks were benefiting and why the money would be better spent providing economic relief to struggling low-income families. Their mobilization in those final hours paid off when the legislation passed in late June.



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a month's worth of childcare for
two kids in the Denver Metro Area.

Key Messages Used

- **Colorado's tax code is unfair and only benefits a handful of Coloradans.** Currently, a handful of Coloradans benefit from tax loopholes that total hundreds of millions of dollars a year, while low-income families struggle. Closing these tax loopholes ensures that Colorado's tax code is more equitable.
- **The EITC benefits local economies and businesses.** The EITC puts money directly into the pockets of workers, which gets spent locally and boosts the state economy. Expanding the credit will put more money in families' pockets and benefit local businesses.
- **Families need support during the recession.** Colorado cannot cut its way out of a recession. Now more than ever, families need critical programs like the EITC. Ending these tax breaks will ensure there is more funding for programs working households rely on.
- **Immigrant families are being left behind during COVID-19.** There is little to no federal financial aid for immigrant families during the COVID-19 pandemic. These families have been hit disproportionately hard and should not be left out of state aid as well, especially when they pay \$100 million in local and state taxes. Expanding access to the EITC ensures that no Coloradans are left behind.

Looking Ahead

After securing the EITC expansion, the coalition wants to ensure that every newly eligible taxpayer claims it. CFI plans to engage partners and state immigrant advocacy groups to ensure everyone is aware of the credit and can claim it during the 2021 tax season. They plan to work with Volunteer Income Tax Assistance (VITA) sites to reach out and educate community members on the EITC.

The 2020 expansion was a huge step in the right direction for working families across the state, especially as the COVID-19 recession continues. However, advocates are committed to expanding the credit to 20 percent in the next legislative session and will continue to push for permanent funding for the state CTC.

PARTNERS

9to5 Colorado

All Families Deserve a Chance Coalition (AFDC)

AFT Colorado

The Bell Policy Center

Center for Work Education and Employment (CWEE)

Clayton Early Learning

Colorado Center on Law and Policy (CCLP)

Colorado Children's Campaign

Colorado Cross-Disability Coalition (CCDC)

Colorado Immigrant Rights Coalition (CIRC)

Colorado Fiscal Institute (CFI)

Colorado Home Visiting Coalition

Colorado Nonprofit Association

Colorado People's Alliance (COPA)

Colorado Social Legislative Committee (CSLC)

Energy Outreach Colorado

Illuminate Colorado

Lutheran Advocacy Ministry-Colorado

Parent Possible

ProgressNow Colorado

The Gathering Place

Together Colorado

United for a New Economy (UNE)

WESTWOOD UNIDOS

The Women's Foundation of Colorado

Women's Lobby of Colorado