High-Takeup of State Credits Drives Child Poverty Lower in Colorado

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The Family Affordability Tax Credit (FATC) is a fully refundable state income tax credit available to CO families with children under age 17. Launched in 2024, the credit offered up to $3,200 for children under the age of 6 ($2,400 for older children). With the first year of data on FATC access available from the Colorado Department of Revenue, this brief examines the reach, economic impact, and effects on poverty of the FATC and other complementary tax credits in Colorado.

Key Takeaways

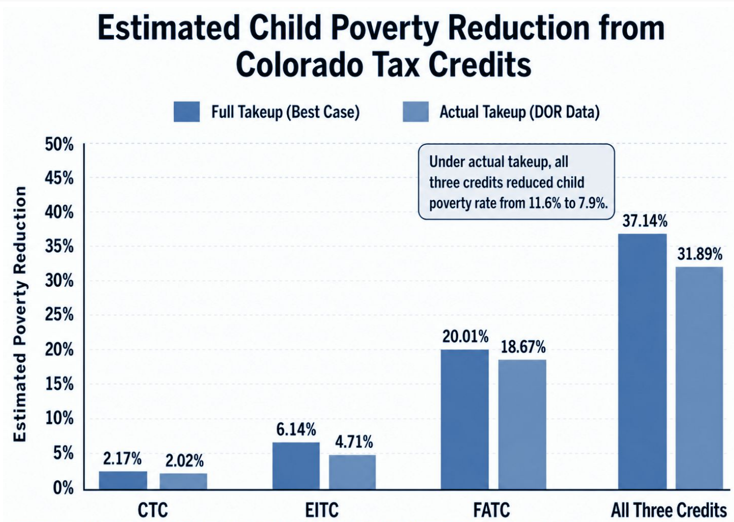
- Approximately 93% of eligible families received the FATC.
- The FATC put roughly $842,000,000 in the pockets of low-income families; a number that increases to $1.4 billion when including the CO Child Tax Credit and Earned Income Tax Credit.
- FATC takeup was near universal, with an estimated 93% of eligible families receiving the credit.
- FATC provides the largest single-program reduction in child poverty across Colorado's tax credits, and layering credits reduces child poverty by 32%, from 11.6% to 7.9%.

Colorado State-Level Tax Credit Access, 2024

Returns claimed and credit totals by credit type

Credit	Tax Returns	Estimated Takeup	Credit Total	Avg. Credit per Return
CTC (Child Tax Credit)	129,280	93%	$118,018,000	$912.89
EITC (Earned Income Tax Credit)	338,120	78%	$406,110,000	$1,201.08
FATC (Family Affordability Tax Credit)	309,620	93%	$842,285,000	$2,720.38

Source: *Colorado department of Revenue, tax year 2024; takeup estimates incorporate American Community Survey data to identify credit-eligible populations*



Source: Actual takeup estimates based on Monte Carlo simulation using Colorado Department of Revenue tax data and American Community Survey estimates of eligible population

The Future of FATC

These results suggest that takeup of the FATC was widespread, and the credit put nearly a billion dollars into the hands of low-income families. Our research has found that families used those dollars to cover essential expenses such as housing, food, and utilities, while also helping their children access better resources and new experiences.

The FATC was active in tax years 2024 and 2025, but is currently at risk due to changes in the Colorado state budget. While there are efforts under way to partially restore the FATC in future years, the credit may not be available to families in 2027. If that is the case, we would expect to see the poverty reductions demonstrated in this brief largely reverse, and families throughout Colorado will find it more difficult to provide for their children.

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Full memo

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