

Potential Impact of Colorado Childcare Contribution Tax Credit

Tax rate and explanation	Without Childcare Tax Credit			With Childcare Tax Credit		
Gift size (24% federal tax bracket)	\$5,000	\$10,000	\$15,000	\$5,000	\$10,000	\$15,000
Federal tax savings for contribution	\$1,200	\$2,400	\$3,600	\$600	\$1,200	\$1,800
State tax savings for contribution	\$232	\$463	\$695	\$116	\$232	\$347
Childcare Contribution Credit	n/a	n/a	n/a	\$2,500	\$5,000	\$7,500
True cost of gift after credits and deductions	\$3,568	\$7,137	\$10,705	\$1,784	\$3,568	\$5,353
Gift size (32% federal tax bracket)	\$5,000	\$10,000	\$15,000	\$5,000	\$10,000	\$15,000
Federal tax savings for contribution	\$1,600	\$3,200	\$4,800	\$800	\$1,600	\$2,400
State tax savings for contribution	\$232	\$463	\$695	\$116	\$232	\$347
Childcare Contribution Credit	n/a	n/a	n/a	\$2,500	\$5,000	\$7,500
True cost of gift after credits and deductions	\$3,168	\$6,337	\$9,505	\$1,584	\$3,168	\$4,753
Gift size (35% federal tax bracket)	\$5,000	\$10,000	\$15,000	\$5,000	\$10,000	\$15,000
Federal tax savings for contribution	\$1,750	\$3,500	\$5,250	\$875	\$1,750	\$2,625
State tax savings for contribution	\$232	\$463	\$695	\$116	\$232	\$347
Childcare Contribution Credit	n/a	n/a	n/a	\$2,500	\$5,000	\$7,500
True cost of gift after credits and deductions	\$3,018	\$6,037	\$9,055	\$1,509	\$3,018	\$4,528
Gift size (37% federal tax bracket)	\$5,000	\$10,000	\$15,000	\$5,000	\$10,000	\$15,000
Federal tax savings for contribution	\$1,850	\$3,700	\$5,550	\$925	\$1,850	\$2,775
State tax savings for contribution	\$232	\$463	\$695	\$116	\$232	\$347
Childcare Contribution Credit	n/a	n/a	n/a	\$2,500	\$5,000	\$7,500
True cost of gift after credits and deductions	\$2,918	\$5,837	\$8,755	\$1,459	\$2,918	\$4,378

*Conclusion: A \$5,000 gift using Childcare Contribution Tax Credit in a 32% federal tax bracket with an income of \$164,926-\$209,425 would have a true cost of \$1,584 and a gift of \$15,000 would cost only \$4,753. (assumes married filing jointly and itemizing)

*This is a hypothetical tax scenario. The Pathway to the Rockies Council, BSA does not give tax advice. For tax questions, please seek your personal tax advisor.