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## **Qualified Care Worker Tax Credit and Overtime Addback**

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In response to questions from practitioners, the Office of Tax Policy would like to clarify eligibility for the Qualified Care Worker Tax Credit and the applicability of the addback for qualified overtime. These items and others were covered in the 2025 legislative training conducted by our Education and Training Team. If you were unable to attend, or would like to review, that training, visit our website ([Tax.Colorado.gov /training/legislative-webinar](https://Tax.Colorado.gov/training/legislative-webinar)) for a recording.

### **Qualified Care Worker Tax Credit**

A resident individual who is a qualified child care worker or qualified direct care worker is allowed a \$1,200 credit against their Colorado income tax if their federal adjusted gross income does not exceed certain limits. If the credit allowed exceeds the taxpayer's Colorado tax liability, the excess credit is refunded to the taxpayer. A resident individual who is both a qualified child care worker and a qualified direct care worker is not allowed an additional credit pursuant to this section because of such dual qualification.

#### *Direct Care Workers*

Direct care workers are individuals with appropriate knowledge, skills, and training who provide hands-on care and services, including personal care, to people receiving long-term care in Colorado. Work in a position that requires certification as a certified nurse aide does not qualify.

To qualify for the credit, individuals must be employed for at least 720 hours as a direct care worker. A direct care worker may be employed by a nursing facility, a certified home care agency in Colorado, a consumer-directed care employer, or some combination of long-term care employers. A direct care worker may also be employed to provide home- and community-based services in Colorado. These services include consumer-directed care even if the direct care worker is employed by a family member or friend to provide such care. However, a person who is not an employee of a long-term care employer is not eligible.

### *Child Care Workers*

Qualified child care workers must be registered in the Colorado Shines Professional Development Information System (“PDIS”) and work for at least 720 hours during the tax year as:

- An employee or a licensee and operator of a licensed early childhood education program with a Colorado Shines rating Level 1-5;
- An employee or a licensee and operator of licensed family child care home with a Colorado Shines rating Level 1-5; or
- An informal family, friend, or neighbor child care worker.

Visit the Colorado Department of Early Childhood website at [CDEC.Colorado.gov/care-worker-tax-credit](http://CDEC.Colorado.gov/care-worker-tax-credit) for more information on registering in the PDIS system and completing the required attestation.

### *Income Limits*

The qualified care worker tax credit is not allowed to an individual whose adjusted gross income exceeds certain limits. An individual who files a single return is not allowed the credit if their adjusted gross income exceeds \$75,000. Two individuals who file a joint return are not allowed the credit if their adjusted gross income exceeds \$100,000, regardless of whether one or both individuals are otherwise qualified child care workers or direct care workers.

### *Claiming the Qualified Care Worker Tax Credit*

To claim the qualified care worker tax credit, resident individuals must file a Colorado Individual Income Tax Return ([DR 0104](#)) with an Individual Credit Schedule ([DR 0104CR](#)) and form [DR 1217](#) attached.

### **Qualified Overtime Addback**

The addback of qualified overtime deducted from federal taxable income is not required for tax year 2025.

For tax years 2026 and later, an individual who claims a deduction for overtime compensation on their federal income tax return must add back the amount of the deduction on their Colorado return. The addback is required for the full amount of the federal deduction claimed on the taxpayer’s IRS Schedule 1-A (Form 1040).

No addback is required on the taxpayer’s Colorado return for any deduction claimed on their federal return for qualified tips.