Support HB 18-1013 to Create the Colorado Nonprofit Sustainability Act!
Sponsored by Rep. Alec Garnett (D-Denver) and Sen. Kevin Priola (R-Henderson)

HB 18-1013 sustains Colorado’s nonprofits by incentivizing more charitable donations to help them save and invest in long-term impact. Donors save $1 on their state taxes for every $4 they donate to a nonprofit’s endowment. Their donations will grow in value over time through prudent investment.

By building larger rainy-day funds for times of reduced donations or grants, nonprofits will increase their capacity to meet the needs of our growing communities long into the future. With fewer taxpayers able to claim the charitable deduction, it is more important than ever to incentivize charitable giving that supports nonprofits’ future operations in addition to their current programs.

Despite projections of reduced charitable giving nationwide, the opportunity to increase giving is still great. Baby boomers are expected to transfer over $59 trillion in wealth to younger generations. The Colorado Nonprofit Sustainability Act would not only encourage these taxpayers to increase their planned and estate gifts, it would encourage more donations of any amount by taxpayers of all generations and income brackets.

What does the bill do? Between 2019 and 2022, 1013 creates a 25% nonrefundable tax credit for donations up to $20,000 ($5,000 maximum credit) to an endowment held by a nonprofit, community foundation, or community foundation on behalf of a nonprofit.

Legislative Council estimates that this bill will increase giving by up to $48 million per year. 1013 limits endowment tax credits to $12 million per year. To track donations, donors must file credit certificates with the Department of Revenue upon receipt from the nonprofit. Donors would not be allowed to carry tax credits forward or claim other state tax credits for the same donation.

How do endowment tax credits work? Unlike an annual donation that is spent on a nonprofit’s current programs, endowment assets are held primarily for investment purposes. Colorado law requires nonprofit boards to invest these funds prudently and according to donor intent. Annually spending a small percentage of an endowment fund is allowed but the fund “can’t be wholly spent on a present basis.”

Several states (IA, KY, MD, MT, ND) currently benefit from tax credits for donations to endowments:
- IA donors have given more than $215 million since 2003. They give $24 million per year and claim $6 million of credits on average
- As of 2016, MT donors have given $134 million since 1997. Nonprofits have spent an estimated $600,000 from their endowments per year on average

How would nonprofits use these additional funds? Nonprofits and foundations have reported they will use these funds to grow or establish endowments to support scholarships and after-school programs, arts programs and recreation for at-risk youth, conservation projects, pro-bono counseling, disaster relief, library programs, capital campaigns, and more.

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Serving nonprofits. Strengthening communities.
HB 18-1013 COLORADO NONPROFIT SUSTAINABILITY ACT

Donors save $1 on taxes (25% credit, up to $5k) for every $4 they give (up to $20k)

Donors have a new charitable giving incentive to help nonprofits save money for future operations in addition to current program funds

Savings are invested in an endowment to grow over time

Boards must manage these funds prudently per donor intent and CO law

A small percentage can be spent annually but the fund must not be spent down

Nonprofits have larger rainy-day funds for times when donations or grants are reduced

Nonprofits will use these funds in various ways to benefit our communities:
- scholarships and after-school programs
- arts and recreation for at-risk youth
- conservation projects
- pro-bono counseling
- disaster relief
- library programs
- capital campaigns, and more

Colorado benefits from increased capacity for nonprofits to meet the growing needs of our growing state

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