



Date: 01/29/2010

Bill #: TBD

Title: Incentive for Nonprofits that Add Jobs

Primary Sponsor(s): Rep. Ken Summers (R-Lakewood), Sen. Chris Romer (D-Denver)

Status: Drafting

Fiscal Impact: TBD

Summary:

Starting in January 2011, this bill would provide a 25% tax credit for contributions by individual and corporate taxpayers to help charitable nonprofits [501(c)(3) status] add jobs. Taxpayers may carry forward unused credits for up to seven years. The amount of credits awarded by state government may not exceed \$1 million per year. The program sunsets in December 2016.

To receive the credit, the taxpayer would have to contribute to a designated fund administered by a “nonprofit intermediary” for the purpose of helping nonprofits add jobs. “Nonprofit intermediary” means a community foundation or nonprofit that acts as a federated campaign to collect donations and redistribute funds to other nonprofit organizations.

Nonprofits or nonprofit collaboratives looking to add jobs would apply for certification by the nonprofit intermediary as an eligible recipient of donations. To qualify, the job that a nonprofit or nonprofit collaborative seeks to add must have an annual wage of not less than \$24,000.

The nonprofit intermediary would be responsible for certifying eligible nonprofits and distributing money to certified nonprofits when they have either (1) raised enough money from the fund alone to add the job or (2) raised enough money from a combination of the fund and other matching funds to add the job. If the nonprofit does not raise enough money in a year to add the job, the intermediary may grant the funds to another nonprofit with preference to helping the other nonprofit add jobs.

The intermediary would also be responsible for notifying the Department of Revenue when it has received a donation, the identity of the donor, the amount of the credit to be awarded, and the identity of the recipient nonprofit organization. The intermediary may keep up to 5% of donations received to cover the costs of administering the donation.

- Nonprofits have experienced increased demand for services during the economic downturn while having decreased revenues. Providing an increased incentive for individual and business donations will help nonprofits secure resources to maintain and grow their workforce at this time of great need.
- With a lean state government, Colorado often achieves efficiencies by contracting with nonprofits to deliver public benefits. This incentive would encourage private donors to increase their giving to nonprofits, which are becoming a more integral part of public service

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and public infrastructure, particularly as the state budget continues to be cut.

- By helping nonprofits maintain and grow their staffing levels, Colorado will gain in terms of increased tax receipts from nonprofit employees.
- Particularly during an economic downturn, nonprofit services help empower individuals to obtain better health outcomes, obtain employment, develop skills, and improve their quality of life. Nonprofits make critical investments in people who can be more productive in the workforce and contribute more to the well being of our communities and economy.
- Nonprofits are employers and are a key component of economic development in communities. Just as the General Assembly has supported incentives for business economic development, it makes sense to also support nonprofits' role in economic development.

Recommended Action: ACTIVELY SUPPORT

For more information on this bill, contact Edie Busam at (303) 832-1472, ebusam@aponte-busam.com or Mark Turner at (303) 832-5710/(800) 333-6554 x 203, mturner@coloradononprofits.org