The Colorado Health Foundation™

Legislative Explainers: State Grantmaking and Nonprofit Tax Status Bills

The Colorado Health Foundation is committed to working in close partnership with communities, organizations, and leaders across the state to advance health and well-being for everyone who lives in Colorado. As the Colorado General Assembly considers legislation that could impact how nonprofits operate, we're closely tracking two bills related to state agency grantmaking and nonprofit tax status. These proposals have important implications for community-based organizations and their ability to meet local needs.

To learn more about how legislation moves through the Colorado General Assembly, visit the legislative process resources on the Colorado General Assembly website. You can also explore the bill search page to track state legislation. The Colorado Health Foundation also has resources on transforming state governance including specific recommendations for the how the state legislature operates.

Note:? CHF is a private foundation. We do not engage in lobbying or partisan political activity, and we do not take positions in support of or in opposition to any specific legislation, ballot measure, or candidate for public office.?

HB26-1274: State Agency Payments to Grant Recipients

What the bill would do

State agencies award grants to nonprofit organizations so they can address community needs and implement governmental programs. Typically, nonprofits receiving funding from Colorado state government are reimbursed for expenses they incur after services are delivered. HB1274 would allow state agencies to provide nonprofits with up to 25% of a grant award up front, helping to streamline the process and reduce cash flow gaps for nonprofits.

Why CHF is monitoring it

CHF recently commissioned a research report examining how community-based organizations experience grantmaking and contracting processes administered by Colorado's state government. Nonprofits provide essential safety net services for local communities, yet many operate on very thin margins. The current reimbursement-based model makes it challenging for nonprofits, especially small, community-based organizations, to access and implement state-funded grants. With many nonprofits experiencing financial uncertainty due to changes in the federal and state government landscape, access to upfront funding can provide greater stability and enable organizations to continue serving their communities effectively.

SB26-009: Charitable Organization State Sales and Use Tax

What the bill would do

The federal and state government offer tax benefits to nonprofit organizations that make them exempt from certain state and federal taxes in recognition of their important role in supporting communities. However, federal policymakers have recently signaled interest in potentially revoking the tax-exempt status of certain nonprofit organizations to influence how and whether they can carry out their work. SB26-009 would create pathways for organizations that have lost their federal tax-exempt status under such circumstances to continue to remain exempt

from Colorado state sales tax.

Why CHF is monitoring it

Colorado’s nonprofit organizations rely on their tax-exempt status for their financial viability. Losing this status could threaten the ability of many organizations to operate and fundraise, putting essential community services at risk. While Colorado has limited means to influence the federal government’s decisions about revoking the tax status of targeted nonprofit organizations, the state can determine eligibility for state tax exemptions. This bill aims to reinforce state control over designation of tax-exempt status.

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