



DENVER
THE MILE HIGH CITY

Department of Finance

Ordinance request to change the
definition of charitable organization

May 16, 2017

- The Department of Finance is proposing a revision to our current definition of charitable organizations to create a broader definition that more closely aligns with how the federal and state governments treat 501(c)3's
- The change would make it so that Denver nonprofits are no longer subject to Denver sales, use, lodger's and employer occupational privilege tax

- The Treasury Division is recommending that the city pursue amending the definition of Charitable Corporation to, “... any organization that has been exempted from federal income tax as a nonprofit organization”
- We believe that approximately 2,000 Denver 501 (c)3 organizations will be impacted by this change

- This change will allow nonprofits that are currently required to pay sales and/or use tax to become exempt and therefore direct those funds toward the services they provide our community
 - We expect this change will save the non-profit community \$11-14 million per year
 - As well as lessen their administrative burden

- Because of the fiscal impact of \$11 million to \$14 million, we recommend that the new definition be phased-in beginning on July 1, 2017 with full implementation occurring beginning January 1, 2021
- This will allow the city's budget to adjust to the reduction in tax revenue more gradually

- The Department of Finance is working with Human Rights and Community Partnerships on an outreach plan to communicate this proposed change to Denver non-profits