



INCOME TAX CHECKOFFS

by Greg Sobetski

Colorado's individual income tax form allows a taxpayer to make a voluntary contribution to any one of 15 funds, each of which benefits a program or charitable organization (organization). This *issue brief* provides information on the income tax "checkoff" program and the selection of organizations for placement on the income tax form.

Income tax checkoff program. During the 1977 legislative session, the General Assembly created the Nongame and Endangered Wildlife Cash Fund for the purpose of preserving and protecting nongame and endangered wildlife in Colorado. The fund receives revenue from voluntary contributions made by taxpayers when they submit their individual income tax forms to the Colorado Department of Revenue. Colorado was the first state to add this type of checkoff to its tax form. As of tax year 2011, 41 states had active checkoff programs, including all states with individual income taxes.

Through tax year 2013, checkoffs have raised a total of \$44.4 million for the 31 organizations that have appeared on Colorado's income tax form since the program's inception. The number of organizations that may appear on the form is capped at 15 for each tax year. The 15 organizations on the form for tax year 2013 generated \$1.5 million in contributions from about 116,000 donations. The average donation was \$12.90, up from \$11.32 for tax year 2012.

Selection of organizations. The General Assembly determines which organizations will be eligible to receive donations. Legislation is

required to create a new income tax checkoff and to establish a new cash fund in the state treasury to collect donations.

State law establishes a priority order system, which specifies that continued or renewed checkoffs take precedence over newly created checkoffs. Because the number of checkoffs is capped each year, new organizations do not appear on the form until an existing organization is removed. The removal of an existing organization may occur statutorily via sunset or legislative change. Additionally, state law establishes contribution criteria that individual organizations must meet in order to remain on the form.

Organizations that are placed on the form may remain there for three years before being removed for insufficient donations. In order to remain on the form for a fourth or subsequent year, an organization must generate at least \$75,000 in donations during the previous tax year. The legislature may make exceptions for individual organizations. For example, statute specifically allows the Western Slope Military Veterans' Cemetery to remain on the form even if it does not generate a total donation of \$75,000 in a given year.

Table 1 shows checkoff contributions to the 15 organizations that appeared on the individual income tax form for tax year 2013. Table 1 includes the number of donations, total donation amount, and average donation amount for each organization in the checkoff program for that tax year.

**Table 1
Individual Income Tax Checkoff Donations for FY 2013-14 (Tax Year 2013)**

Organization Receiving Checkoff Donations	Number of Donations	Total Donation	Average
Military Family Relief Fund	9,346	\$162,421	\$17.38
Nongame and Endangered Wildlife Cash Fund	11,593	160,353	13.83
Pet Overpopulation Fund	11,178	142,189	12.72
Colorado Domestic Abuse Program Fund	9,954	129,110	12.97
Make-A-Wish Foundation of Colorado Fund	9,231	125,992	13.65
Homeless Prevention Activities Program Fund	8,782	109,403	12.46
Alzheimer's Association Fund	7,541	105,212	13.95
Colorado Healthy Rivers Fund	8,693	95,635	11.00
Unwanted Horse Fund	7,590	89,849	11.84
Colorado Cancer Fund	7,244	81,844	11.30
Public Education Fund	6,334	72,190	11.40
Goodwill Industries Fund*	3,293	63,827	19.38
Families in Action for Mental Health Fund*	5,740	62,003	10.80
Colorado Multiple Sclerosis Fund	4,838	58,074	12.00
Western Slope Military Veterans' Cemetery Fund**	4,190	34,556	8.25
Others***	380	3,107	8.18
Totals	115,927	\$1,495,765	\$12.90

Source: Colorado Department of Revenue.

* These organizations will be removed from the 2014 form because they failed to receive \$75,000 in donations during their third year on the form in 2013.

** This organization is not subject to the \$75,000 donation requirement to remain on the income tax form.

*** In addition to the other checkoffs listed in the table, the state collected donations to organizations that no longer met the criteria for inclusion on the state income tax form. These checkoffs are not listed individually in this table.

Queue for new checkoff programs. Newly added organizations fill vacated positions on the individual income tax form on a first-in, first-out basis. When a new income tax checkoff is created in state law, it is added to a queue of organizations to await its opportunity to appear on the form. Organizations are added to the queue once enacted into state law. On April 26, 2012, Governor John Hickenlooper signed two checkoff bills into law within nine minutes of one another; because the bill creating the Colorado Healthy Landscapes Fund was signed first, it appears in the queue before the American Red Cross Fund.

The Department of Revenue estimates that approximately one new organization is added to the individual income tax form each year. For tax year 2014, checkoffs for the Roundup River Ranch Fund and the 9Health Fair Fund were

added to the form to replace the Goodwill Industries Fund and the Families in Action for Mental Health Fund. Table 2 shows the queue of organizations still awaiting placement on the form, and the date on which each checkoff was created in state law.

Table 2. Checkoff Program Queue

Organizations in Queue	Date Enacted
Colorado Healthy Landscapes Fund	04/26/12
American Red Cross Fund	04/26/12
Habitat for Humanity Fund	03/15/13
Special Olympics Colorado Fund	04/19/13
CO Youth Conservation Corps Fund	04/25/14

Source: Legislative Council Staff.