



Fiscal Note
Legislative Council Staff
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SB 26-009: CHARITABLE ORGANIZATIONS STATE SALES & USE TAX

Prime Sponsors:
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Fiscal note status: This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill codifies in statute the Department of Revenue’s determination process of a charitable organization for the purposes of state sales and use tax.

No fiscal impact. The bill has no impact on state or local government.

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill directs the Department of Revenue (DOR) to presume an organization to be a charitable organization for the purpose of the state sales and use tax exemption, if the organization presents the DOR with a 501(c)(3) determination letter from the Internal Revenue Service (IRS). It also directs the DOR not to presume that an organization does not qualify as a charitable organization because of a change in the organization's 501(c)(3) status.

Background

Current law exempts charitable organizations, as determined by the DOR, from state sales and use tax. Section 501(c)(3) of the federal Internal Revenue Code defines charitable organizations for the purpose of federal tax exemptions; entities that meet those qualifications receive a 501(c)(3) determination letter from the IRS. Colorado law mirrors the current federal definition of a charitable organization but does not directly require an active 501(c)(3) determination letter for an organization to be determined a charitable entity for the purpose of the state sales and use tax exemption.

Per the Code of Colorado Regulations,¹ an organization with a 501(c)(3) determination letter is presumed to qualify as a charitable organization exempt from state sales and use tax, though the DOR is not bound by a federal determination and may independently determine whether the organization qualifies as a charitable entity.

Assessment of No Fiscal Impact

The bill updates statute to codify current practices. This results in no change to state or local government revenue or expenditures. For this reason, the bill is assessed as having no fiscal impact.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Revenue

¹ CCR 201-4, Rule 39-26-718 (2)(g).