



Office of the State Auditor

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Homeless Contribution Tax Credit Tax Expenditure Evaluation Update

In November 2025, our office released its evaluation of the Homeless Contribution Tax Credit [Section 39-22-548, C.R.S.]. At that time, the Department of Revenue (Department) was not able to provide data on the credit's revenue impact to the State or the number of claims. In January 2026, the Department released data on the credit for claims made by individuals and C corporations for Tax Year 2023, which was the first year this credit was available. This memo's purpose is to provide an update on the revenue impact and usage of the Homeless Contribution Tax Credit based on the information that was published by the Department after the release of our report.

Taxpayers did not claim the full amount in credits that were certified for Tax Year 2023.

According to Department data, in Tax Year 2023, the Homeless Contribution Tax Credit was claimed by 3,981 individuals for a total revenue impact to the State of \$3,582,701 (an average credit of \$900 per taxpayer). Ten corporations claimed the credit for a total revenue impact to the State of \$11,848 (an average credit of \$1,185 per taxpayer). Between individual and corporate taxpayers, the Homeless Contribution Tax Credit had a total revenue impact to the State of \$3,594,549 in Tax Year 2023.

In Exhibit 6 on page 16 of the report issued by our office on this credit in November 2025, we presented an estimate of the credit's maximum revenue impact for Tax Years 2023 and 2024. This estimate was based on data provided by the Division of Housing on contributions that were certified for the credit. We estimated a maximum revenue impact of \$5,274,385 for Tax Year 2023 and \$6,455,478 for Tax Year 2024. There are several possible reasons why the revenue impact shown in the Department data is less than the maximum estimated maximum revenue impact we provided in our report. First, the Department data may not show the entire actual revenue impact of the credit because it does not include credit claims by all taxpayer types. The Department's 2023 Tax Credit Reports that were published in January 2026 only show credits claimed by individuals and C corporations. To the extent that the credit was claimed on another type of tax return, such as an estate, trust, or composite nonresident partnership or S corporation return, those credit claims would not be captured in the Department's data but would still have a revenue impact to the State in Tax Year 2023. Second, some taxpayers may not have claimed the credit either because they forgot or were confused about how to obtain their credit certificate or attach it to their return. Below Exhibit 6 on page 16 of the report, we discussed that when we surveyed donors who had made contributions that were eligible for the credit, some reported having difficulty either receiving their credit certificate or not knowing how to submit their certificate to claim the credit on their tax

return. Third, some taxpayers may not have had enough tax liability to claim the entire credit they were eligible for in Tax Year 2023. These taxpayers may carry the credit forward for up to 5 years and, therefore, some credits that were certified in Tax Year 2023 may have a revenue impact in future tax years.

Taxpayers with higher incomes claimed more credits for larger amounts than lower income taxpayers. The Department also released Homeless Contribution Tax Credit individual claims data showing usage by taxpayers grouped by the size of their federal adjusted gross income (AGI), which we present below in Exhibit 1.

Exhibit 1

Number of Claims, Revenue Impact, and Average Credit for Individual Taxpayers Who Claimed the Homeless Contribution Tax Credit in Tax Year 2023 by Size of Federal Adjusted Gross Income

Size of Federal Adjusted Gross Income	Number of Claims	Total Revenue Impact	Average Credit
Negative Income	0	\$0	\$0
\$0 to under \$10,000	3	Not Releasable	Not Releasable
\$10,000 to under \$20,000	15	Not Releasable	Not Releasable
\$20,000 to under \$30,000	39	\$7,159	\$184
\$30,000 to under \$40,000	58	\$14,546	\$251
\$40,000 to under \$50,000	81	\$25,121	\$310
\$50,000 to under \$60,000	85	\$30,547	\$359
\$60,000 to under \$75,000	166	\$69,511	\$419
\$75,000 to under \$100,000	303	\$99,166	\$327
\$100,000 to under \$200,000	1,368	\$688,105	\$503
\$200,000 to under \$500,000	1,254	\$993,384	\$792
\$500,000 to under \$1,000,000	360	\$620,692	\$1,724
\$1,000,000 and over	249	\$1,032,582	\$4,147
Total	3,981	\$3,582,701	\$900

Source: Office of the State Auditor analysis of Department of Revenue individual credit data for the Homeless Contribution Tax Credit.

The Department data are consistent with the expectation we discussed on pages 16 and 17 of the report that high and middle-income taxpayers who make relatively large charitable donations are more likely to claim the credit. According to our analysis of the Department's data, individuals with \$100,000 or more in federal AGI accounted for 81 percent of the credits claimed by individuals and 93 percent of the total revenue impact of credits claimed by individuals, whereas taxpayers with under \$50,000 in federal AGI accounted for less than 5 percent of credits claimed and accounted for less than 1.5 percent of the total revenue impact of credits claimed by individuals. In addition, as shown in the table above, individuals with higher incomes generally claimed higher average credits than those with lower incomes.

Homeless Contribution Income Tax Credit



OFFICE OF THE STATE AUDITOR

C O L O R A D O

Tax Expenditure Evaluation • November 2025 • 2025-TE13

Tax Type:	Corporate/Individual Income
Expenditure Type:	Credit
Statutory Citation:	Section 39-22-548 C.R.S.
Year Enacted:	2022
Repeal/Expiration Date:	January 1, 2027
Revenue Impact (2024):	Estimated maximum is \$6.5 million in 2024

Purpose given in statute or enacting legislation? Yes

The Colorado Homeless Contribution Income Tax Credit (HCTC) allows Colorado taxpayers who contribute to eligible homelessness-related projects within the state to claim a credit equivalent to 25 percent (30 percent for projects in qualifying rural areas) of their total contribution, up to \$100,000. The tax credit is administered by the Division of Housing (Division), within the Department of Local Affairs, and is available for Tax Years 2023 to 2026.

According to statute, the purpose of the credit is to encourage taxpayers to contribute to approved nonprofit organizations that provide housing and other qualifying services to assist individuals and families at risk of, or currently experiencing, homelessness, and catalyze statewide efforts to address the effects of homelessness.

The HCTC likely encourages donors to contribute more than they would in the absence of the credit and shift their giving towards organizations that participate in the HCTC Program.

- Nonprofit organizations report that that tax credit is helpful in encouraging donors to provide additional financial support.
- The creation of the standalone HCTC, which first became available in Tax Year 2023, has not yet led to a significant increase in the overall amount contributed to homeless organizations compared to when homeless service projects were eligible for the Enterprise Zone Contribution Credit, but did increase the number of organizations receiving donations substantially.
- The number of donations to projects in rural areas is significantly less than to projects in non-rural areas, despite the larger credit percentage for contributions to rural projects.
- The tax credit primarily benefits high and middle-income earners who make relatively larger charitable donations.

Policy Considerations

We did not have any policy considerations for this evaluation.



Homeless Contribution Income Tax Credit

Background

The Colorado Homeless Contribution Income Tax Credit (HCTC) allows Colorado taxpayers who contribute to eligible homelessness-related projects within the state to claim a credit for a percentage of their total contribution. The credit was established in 2022 by House Bill 22-1083 and is available for Tax Years 2023 to 2026. **According to statute, the credit's purpose is to “encourage taxpayers to make contributions to approved nonprofit organizations providing certain qualifying activities to leverage financial contributions from Colorado residents and businesses to support providing appropriate housing and services to assist individuals and families experiencing homelessness. The [credit] will catalyze and strengthen statewide efforts to address the effects of homelessness through private investment and civic engagement in Colorado-based service providers for individuals and families experiencing homelessness” [Section 39-22-548(1)(a), C.R.S.].**

The Division of Housing (Division) in the Department of Local Affairs (DOLA) administers the Homeless Contribution Tax Credit Program (HCTC Program). Nonprofit organizations must meet eligibility requirements, designate homeless service activities as projects that will receive contributions, and apply to the Division for approval to participate in the program before they can receive contributions for which the credit is allowed. Organizations can create more than one eligible homeless service project. The Division is required to review nonprofit organizations and projects that apply to receive contributions and must post a list on its website of all the approved nonprofit organizations and projects. The Division must update this list by November 1 of each year. Approved organizations must apply for reapproval every 4 years.

Technical Note: The application is statutorily required to include information on the activities the nonprofit provides or will implement as part of the approved project, a letter of approval from the nonprofit's board of directors, evidence that the nonprofit is in good standing with the Secretary of State, and a recent audit or financial report. Additionally, organizations must be listed as exempt organizations under section 501(c)(3) of the Internal Revenue Code and have a history or track record of success in delivering services and demonstrated financial viability.

Projects approved to receive contributions that are eligible for the credit can be either capital campaigns, operational services, or both. Capital campaigns are campaigns focused on raising funds for a specific capital project, including supportive housing for individuals or families experiencing homelessness, shelters and facilities used to provide housing or services, and facilities needed to provide administrative support for approved projects. Operational services are services with the

primary focus on assisting individuals or families experiencing homelessness or preventing individuals or families who are facing imminent risk of homelessness from becoming homeless.

Technical Note: Capital projects approved by the Division must involve construction and implementation that begins within 3 years of the project's approval.

Operational services include outreach efforts to engage or provide services to sheltered individuals or families experiencing homelessness; safe emergency, temporary, or transitional shelters, such as day shelters, that may include supportive services; prevention services that target individuals or families facing imminent risk of homelessness; supportive housing for individuals or families experiencing homelessness or who would otherwise be homeless; services designed to assist individuals or families experiencing homelessness to obtain employment (e.g., job placement services or services that help individuals become workforce ready); case management and coordination of referrals to assist health or mental health benefit procurement and procurement of other essential services; shelters and services for survivors of domestic violence who are fleeing an abusive household; or the implementation and operation of successor projects or other services for individuals or families experiencing homelessness that are identified by the division as emerging, promising, and providing best practices [Section 39-22-548(2)(h), C.R.S.].

Approved nonprofit organizations are required to track contributions received from taxpayers and issue a tax credit certificate to each taxpayer who makes an allowable contribution through Salesforce, the Division's tracking and communication system for the program. According to the HCTC taxpayer handbook, "the nonprofit must issue the tax credit certificate to the donor...The nonprofit sends the certificate link to the donor's email via the Salesforce portal...For donors without an email address, the nonprofit must access the certificate via Salesforce, print the certificate, and distribute it to the taxpayer." Statute allows each organization with one approved project to issue up to \$750,000 in tax credits per tax year and each organization with two or more approved projects to issue up to \$1.5 million in tax credits per year. Of the 80 HCTC organizations that received contributions through 2024, 63 had one HCTC-eligible project, 11 organizations had two eligible projects, five organizations had three eligible projects, and one had five.

Taxpayers (individuals or businesses) who make a monetary or in-kind contribution (e.g., vehicles, stock) to an approved nonprofit organization—or to an approved project administered by the nonprofit organization—are allowed a state income tax credit equal to:

- 25 percent of their donation as a state income tax credit if contributed to a qualified project located in a non-rural community.
- 30 percent of their donation as a state income tax credit if contributed to a qualified project located in an underserved, rural community.

Technical Note: According to the Division, for purposes of the increased credit percentage, a rural area is determined using the U.S. Department of Agriculture definition of rural as "nonmetro", which takes into account open countryside, rural towns and urban areas with populations ranging

from 2,500–48,000 that are not part of a larger labor market, or metropolitan, area. Typically, a county is considered rural when it has a population of 50,000 or less.

To be eligible for the credit, in-kind contributions must be valued over \$5,000 and monetary contributions must be at least \$100. Organizations may choose to set a higher minimum donation threshold and about one-third of active HCTC organizations have done so, setting minimums of \$200, \$250, \$500, and, in a few cases, \$1,000. Higher minimum donation amounts likely help organizations offset the costs of administering the credit certificate process and could encourage larger gifts.

Taxpayers may receive a credit of up to \$100,000 per year. If the credit amount exceeds a taxpayer's tax liability for a tax year, they cannot receive a refund for the excess amount, but may carry forward and apply the excess amount against their tax liability in future years for up to 5 years.

Prior to the creation of the HCTC, certain projects related to addressing aspects of homelessness in economically distressed areas of the state, known as enterprise zones, could be approved as Enterprise Zone Contribution Credit (EZC Credit) eligible projects. The EZC Credit, which is administered by the Office of Economic Development and International Trade (OEDIT), provides an income tax credit for monetary and in-kind contributions to qualified enterprise zone contribution projects that support the economic development plan for the enterprise zone. In our 2021 evaluation of the EZC Credit, we had a policy consideration that the General Assembly could consider establishing a standalone credit for contributions made to organizations/projects serving the homeless population. This was based on OEDIT and enterprise zone administrators noting that having homelessness experts administer such a program could be more effective and could allow for broader eligibility standards that would allow credits for a more comprehensive range of projects. Under the EZC Credit, eligible homelessness-related projects were focused just on economic development aspects of homeless assistance, like job training and emergency housing. Further, many organizations providing housing generally operate in residential areas, outside of urban enterprise zones. In 2022, the General Assembly passed House Bill 22-1083, which removed homelessness-related projects from the EZC Credit and, in its place, established the HCTC, which is available throughout the state for a broader range of homelessness response related activities.

Since the HCTC was established, there have been two changes to the credit, which were both made by Senate Bill 24-016 in 2024:

1. Contributions through qualified intermediary organizations are eligible for the HCTC, starting in Tax Year 2024. Qualified intermediary organizations are tax exempt 501(c)(3) organizations that disperse contributions received from a taxpayer to qualified recipient organizations, as desired by the taxpayer. Examples include organizations such as Colorado Gives 365, Mile High United Way, and Community Shares of Colorado. Previously, EZC Credits could be granted to taxpayers who made contributions through a qualified intermediary organization – including those contributions to homeless projects – but when the homelessness projects were removed from the EZC Credit and became part of the HCTC, statute did not explicitly state that HCTC-eligible organizations could receive tax-credit-eligible contributions through qualified

intermediary organizations. As a result, some taxpayers still donated through intermediary organizations in Tax Year 2023, but had their HCTC credits denied by DOLA based on advice from the Department of Revenue. Beginning in October 2023, DOLA announced it would approve credit certifications for contributions made to HCTC-eligible organizations through qualified intermediaries since there were plans for legislation during the 2024 Legislative Session to allow contributions to be made through qualified intermediaries and there was precedent for doing so (initially, contributions made through intermediaries to EZC projects were denied, but later legislation made it clear these contributions were eligible for the credit). The fiscal note for Senate Bill 24-016 estimated that 405 donors would be once again eligible to claim the HCTC under this change for an increased cost of \$478,000 to the State in Tax Year 2024.

2. When the HCTC was created in 2022, statute required that the tax credit certificate issued to the taxpayer by the nonprofit organization include the taxpayer's full Social Security Number. According to the Division, when they surveyed nonprofits, they said that some of their donors were resistant to providing their full Social Security Number in order to receive the credit. According to committee testimony, at that time, this was the only contribution credit for which full Social Security Numbers were required to be given to a non-State entity in order to be certified. Senate Bill 24-016 changed this requirement so that only the last four digits of a taxpayer's Social Security Number are required to be included on the tax credit certificate.

Homelessness is a serious and growing issue in Colorado. An OSA analysis of U.S. Department of Housing and Urban Development (HUD) data shows that the number of people experiencing homelessness in Colorado increased by 88 percent between 2015 and 2024, based on annual Point-in-Time (PIT) Count data, an unduplicated, one-night snapshot of homelessness that provides helpful but limited insight into year-round trends. In 2024, the PIT count identified 18,715 Coloradans experiencing homelessness on a single night in January; representing a 30 percent increase from the previous year.

In addition to PIT count data, the Colorado Homeless Management Information System (COHMIS) provides a more comprehensive, year-round view of individuals and households accessing housing and homelessness-related services statewide. According to COHMIS's annual State of Homelessness report, 52,806 people sought assistance through COHMIS partner agencies in 2024. These services include emergency shelter, temporary and permanent housing, supportive services, street outreach, and prevention programs. Among those served, 30 percent met the definition of experiencing chronic homelessness.

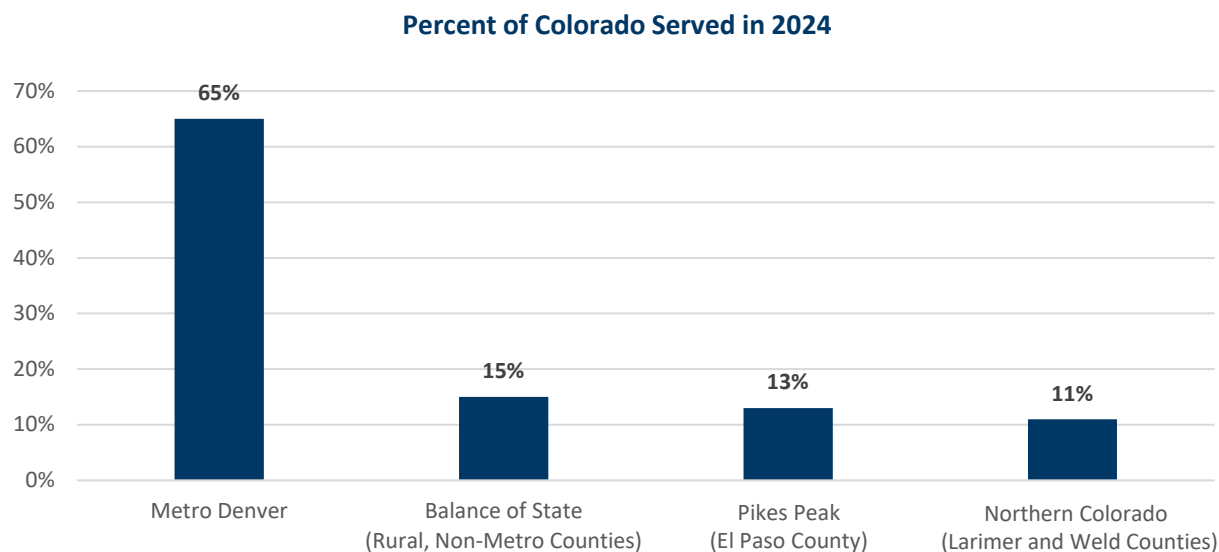
The rising rate of homelessness is not a problem unique to Colorado. According to HUD, "the number of people experiencing homelessness [in America] on a single night in 2024 was the highest ever recorded." Nationwide, from 2023 to 2024, children under the age of 18 saw the largest increase in homelessness (32 percent increase) of any age group, followed by young adults aged 25 to 34 (24 percent increase). HUD noted that several factors contributed to this historically high number, including a national affordable housing crisis, rising inflation, stagnating wages, and the lasting impacts of discriminatory policies. Challenges in addressing homelessness can be compounded in rural areas, which have more limited housing supply, fewer resources, and weaker

tenant protections. Relative to other geographic areas, families with children were most likely to be experiencing unsheltered homelessness in rural communities.

As shown in Exhibit 1, most of the people seeking housing and services related to homelessness are located in metro areas, specifically Metro Denver and Larimer, Weld, and El Paso counties, with only about 15 percent receiving services in other areas of the state.

Exhibit 1

Where People Accessing Homelessness Services in Colorado Were Served



Source: Office of the State Auditor analysis of COHMIS State of Homelessness 2024 report.

According to the COHMIS State of Homelessness 2024 report, “While the number of permanent housing options has grown, it has not kept pace with the demand, leaving thousands of people without a clear path to stability.” As noted in HUD’s 2024 Housing Inventory Count, Colorado had 14,559 permanent housing beds as of January 2024, which, according to COHMIS, is not enough to serve all individuals experiencing homelessness. Division staff and nonprofit organizations surveyed by the OSA reported that adequate funding for addressing homelessness is a perpetual challenge, and may be exacerbated in the coming years. Specifically, federal funding through the 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act and the 2021 American Rescue Plan Act (ARPA) legislation provided an influx of financial support that has now dropped off, and proposed federal cuts to homeless assistance grants and more constrained state budget conditions may present additional challenges.

The HCTC is one of several tools that Colorado uses to address homelessness. More than 60 percent of surveyed HCTC nonprofits report receiving federal and/or local funding as well, in addition to funding from private foundations and corporate sponsors. Other programs in the state to increase charitable contributions or target funding towards homeless services include:

The **Federal Charitable Contribution Deduction** under 26 USC 170 allows an individual who contributes to qualified organizations to deduct the amount of money or value of property they donate from their taxable income. The deduction for charitable contributions is generally capped at 60 percent of the taxpayer's federal adjusted gross income (AGI). Contributions exceeding the 60 percent limit can be carried forward for up to five years. Starting in 2026, several changes to the federal charitable deduction will go into effect:

- Taxpayers who itemize their deductions can only deduct charitable contributions to the extent that the amount contributed exceeds 0.5 percent of their AGI.
- There is a limitation on the deduction value for taxpayers in the highest tax bracket.
- Taxpayers who take the standard deduction can still receive a deduction (\$1,000 for individuals, \$2,000 for joint filers) for cash gifts to public charities.

Notably, federal regulations limit the deduction allowed for charitable contributions that result in state income tax credits. In 2019, the Internal Revenue Service issued regulations [26 CFR 1.170A-1(h)(3)] that require taxpayers taking the Federal Charitable Contribution Deduction to reduce that deduction by the amount of any state tax credits they expect to receive if the credit is over 15 percent of the value of the contribution. Therefore, taxpayers who claim HCTC and the Federal Charitable Contribution Deduction will need to adjust their Federal Charitable Contribution Deduction amount.

Similarly, Colorado offers a **State Charitable Contribution Deduction** under section 39-22-104(4)(m), C.R.S. that allows individuals to deduct the amount of any charitable contributions over \$500 from their state income if the individual claimed the standard deduction, instead of itemized deductions, on their federal tax return. According to the Department of Revenue staff, taxpayers are able to claim both the HCTC and the Colorado Charitable Contribution Deduction for the same contribution.

Under the **Homeless Prevention Activities Program** (HPAP), DOLA awards grants to nonprofits and local governments to prevent at-risk households from experiencing homelessness. All funding comes from a Colorado Income Tax Checkoff Program, which goes directly to the HPAP. The program received \$268,500 in voluntary tax checkoff contributions in 2023, and \$311,700 in 2024, according to Department of Revenue data.

The **Homelessness Resolution Program** (previously named the Emergency Solutions Grant) provides funding to local governments, homeless service providers, and other nonprofit organizations annually through a competitive application process. According to DOLA, it is the first step in a continuum of assistance to prevent homelessness and enable individuals and families experiencing or at risk of homelessness to find stable housing.

The **Transformational Homelessness Response** (THR) Grant Program aims to ensure everyone in Colorado has a safe and stable place to live. In 2023, DOLA, through the Division, awarded over \$86 million in THR funding to projects across Colorado. The Program is funded by transferred state

relief/one-time recovery funds. Eligible applicants included local governments and community partners like nonprofit organizations. These grants will run through September 2026. The main objective of all THR funded programs is to prevent or end individuals' homelessness as efficiently and effectively as possible.

While we were unable to identify another state with a tax credit directly comparable to Colorado's HCTC, other states have credits available for contributions to organizations that serve people experiencing homelessness. Missouri offers a 50 percent income tax credit for taxpayers who donate cash or food to any local food pantry, soup kitchen, or homeless shelter. The credit is capped at \$2,500 per taxpayer and the total amount credits approved cannot exceed \$1,750,000 in a year. Other states, like Arizona, Michigan, New York, and Vermont offer broader charitable contribution/donation tax credits for donations made to homeless organizations, homeless shelters, and/or soup kitchens. New Hampshire's Community Development Tax Credit Program offers a 75 percent tax credit for donations made by businesses that support various community development projects, including affordable/supportive housing for individuals exiting homelessness.

Statute does not provide an explicit performance measure for the HCTC. Therefore, we applied the following performance measure based on the statutorily stated expectation that the credit will strengthen statewide efforts to address the effects of homelessness through private investment in nonprofits that provide services to individuals and families:**To what extent has the Homeless Contribution Tax Credit encouraged taxpayers to contribute to Colorado-based nonprofit organizations that provide services to individuals and families experiencing, or at imminent risk of, homelessness?**

Evaluation Results

The HCTC likely encourages donors to contribute more than they would in the absence of the credit, and likely encourages charitable donors to shift their giving towards organizations that participate in the HCTC Program. However, most donors report that they would still contribute to eligible organizations regardless of the credit. As part of the evaluation of the HCTC, we surveyed both nonprofit organizations participating in the HCTC Program and donors who had made credit-eligible contributions; we received responses from 707 donors and 61 nonprofit organizations. As of October 2025, 81 organizations had received 22,529 contributions from 8,305 donors.

Survey respondents reported that the credit caused them to increase the amount they donated. On the survey, we asked, "Has the availability of the Homeless Contribution Tax Credit caused you to increase your annual charitable giving?" Of the 704 donors who responded to this question, 77 percent reported that the availability of the credit caused them to increase their annual charitable giving and 23 percent reported it did not cause them to increase their annual charitable giving. Survey respondents were given the option to provide additional comments on this question. Many respondents who reported that the credit caused them to increase their annual charitable giving said that they increased their contribution by the amount that they would get back from the credit when they file their taxes. Some respondents said that while the credit did not cause them to increase their

annual charitable giving, it allowed them to maintain the amount they gave rather than having to decrease it due to inflation and other financial constraints. Finally, some respondents commented that the credit is a “nice perk” or “added bonus” for giving, suggesting the credit might have had less of an impact on the amount that they chose to give.

Survey respondents reported that they shifted their giving to organizations that offered the credit. On the survey, we asked, “Has the availability of the Homeless Contribution Tax Credit encouraged you to shift your charitable donations towards organizations that participate in the program?” Of the 705 donors who responded to this question, 72 percent reported that the availability of the credit encouraged them to shift charitable donations towards organizations that participate in the program, with the remaining 28 percent reporting it did not. Some respondents stated that they would give to organizations not eligible for the credit or to other types of causes if the credit were not available. One respondent said that the credit allows them to increase their overall giving by using the tax savings from the credit to also donate to other causes that are important to them. Another respondent said that donating to organizations that address homelessness is one of their priorities and that they have donated to some of the eligible organizations for many years and have found others to donate to by looking at the list of eligible projects that is published by the Division.

Most donors reported that they would reduce their contributions if the credit was not available. On the survey, we asked, “To what extent would the amount you or your business contributed to the nonprofit organization/project differ if you did not receive a tax credit for the donation?” Of the 688 donors who responded to this question, 79 percent reported that they would donate less. However, about 95 percent of respondents indicated they would make a donation of some amount even if the credit was not available. Donors reported that the mission of the organization and a desire to help their local community were major factors in their decisions to donate to homeless organizations more than the HCTC. More than 80 percent of donors cited the organization’s mission and helping the local community as a major or the only factor in making their contribution, while a little more than 50 percent said the same for the credit. Therefore, it is likely that elimination of the credit would result in donors reducing their contributions to some extent, but would not entirely stop them from donating.

Academic literature on the effects of incentives for charitable giving suggests that incentives do positively influence giving, but the extent to which this occurs is difficult to quantify. The type of subsidy, the income of the donor, and the type of charitable organization and the work they do can all factor into the overall effectiveness of the incentive. For example, writing for the *National Tax Journal*, Bakija and Heim found that “...peoples’ decisions about how much to donate to charity are influenced significantly by tax incentives” and report that people give more when the after-tax cost of giving decreases. In a working paper published by the National Bureau of Economic Research, Han, Hungerman, and Ottoni-Wilhelm found that the elimination of federal charitable giving incentives for taxpayers under the Tax Cuts and Jobs Act (TCJA) decreased charitable giving by \$20 billion annually.

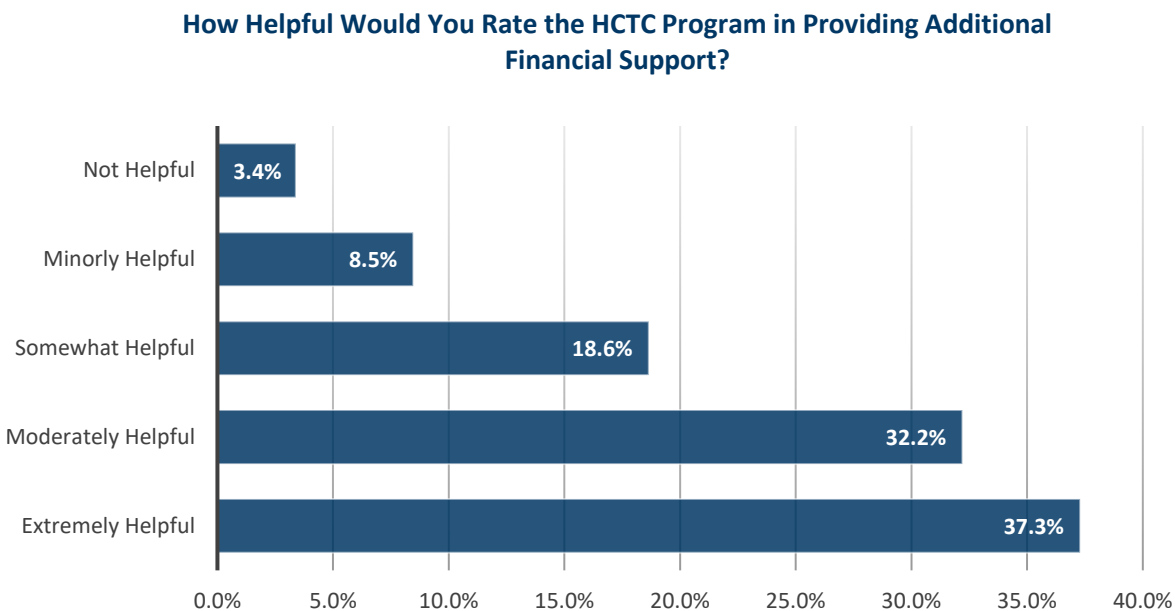
Nonprofit organizations report that the Homeless Contribution Tax Credit is helpful in providing additional financial support. Nonprofit organizations that participate in the HCTC

Program generally reported that the credit has positively impacted their ability to deliver services. In our survey of organizations that participate in the program, we asked, “Have you experienced an increase in charitable contributions since becoming involved with the Homeless Contribution Tax Credit Program?” Of the 57 organizations that responded to this question, two-thirds of organizations reported that they had experienced an increase in overall donations since becoming involved, while one-third reported that donations had remained about the same. The stagnation in donations to some organizations may be explained by broader economic trends, as there appears to have been a post-pandemic decline in charitable giving. Adjusted for inflation, giving nationwide declined by 10.5 percent from 2021-2022 and by 2.1 percent from 2022 to 2023, according to Giving USA. Giving rebounded in 2024, in the midst of a strong stock market and GDP growth, and outpaced inflation for the first time in 3 years.

In the survey, we also asked organizations, “How helpful would you rate the Homeless Contribution Tax Credit Program in providing additional financial support to your organization?” Exhibit 2 shows most organizations felt the program was at least moderately helpful.

Exhibit 2

Additional Financial Support from the Homeless Contribution Tax Credit Program



Source: Organization/project responses to Office of the State Auditor survey for organizations that, according to the Division of Housing, had at least one HCTC-eligible project between 2023 and 2025.

Survey respondents were given the option to provide additional comments regarding the helpfulness of the credit in terms of providing additional financial support. One respondent commented that the HCTC donations are helpful because they provide more flexibility than targeted or restricted grants. In a separate survey question on how homeless projects would be affected if the HCTC were no longer available, 72 percent of the 60 organizations that responded reported that there would be a

moderate to significant impact, with projects either completed at a slower rate or smaller scope, or struggling to continue/remain viable.

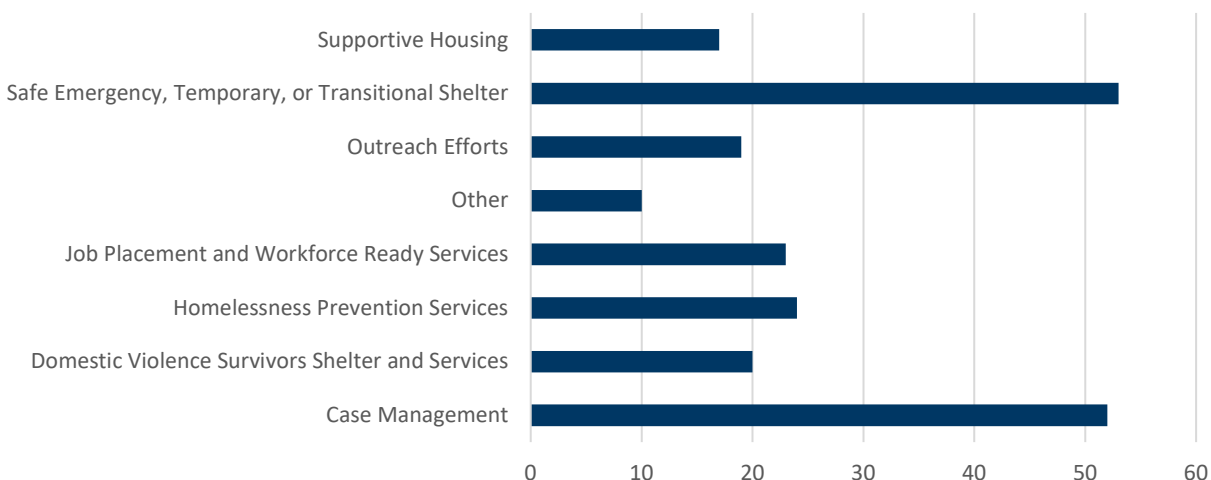
We found that a few organizations receive the majority of donations and a significant amount of contributions go to operational projects compared to capital campaigns. While many nonprofit organizations are benefitting from the HCTC program, five organizations received a majority of contributions. In Calendar Years 2023 and 2024, donors contributed a total of \$46.4 million to 80 organizations for an average amount of \$579,401 per organization over the 2-year period. However, donations were skewed towards a few nonprofits; the five nonprofit organizations that received the most contributions through the program accounted for more than half (52 percent) of total contributions. The organizations that received the most contributions also appear to be relatively large and likely have greater public recognition.

Operational service projects received almost all of the HCTC-eligible contributions in 2023 and 2024. About 96 percent of all contributions made to HCTC-eligible projects were directed towards operational service projects, with the remainder going towards capital campaign projects. In 2023 and 2024, operational service projects were also more common among the projects approved under the program—the credit supported 87 operational service projects sponsored by 77 organizations, but only 18 capital campaign projects sponsored by 17 organizations.

The projects that have received the most contributions tend to offer several different types of homelessness-related services. For example, several projects provide emergency, temporary, or transitional shelter, while also offering longer-term, individual case management and job placement and workforce ready services. Overall, safe emergency, temporary, or transitional shelter is the most commonly provided service with 53 projects (61 percent) supporting it as one of their activities. These sheltering activities receive a greater share of funding as well, including nine of the 10 projects with the most contributions. Exhibit 3 breaks down the activities supported by the 87 operational service projects that received contributions in 2023 and 2024.

Exhibit 3

Activities Supported by 2023-2024 HCTC Operational Service Projects



Source: Office of the State Auditor analysis of Division of Housing data on Homeless Contribution Tax Credit approved projects. Note: One project can account for multiple activities.

Total contributions to homelessness organizations did not increase significantly during the first 2 years that the standalone HCTC was available, as compared to contributions to homelessness organizations under the EZC Credit, which the HCTC replaced. However, twice as many organizations received donations under the HCTC. According to OEDIT data, homeless service projects received \$43.8 million in total contributions in 2021 and 2022 when they were part of the EZC Credit. The total amount of contributions to homeless service projects through the HCTC Program was \$46.4 million in 2023 and 2024. Therefore, establishing a standalone credit with a wider scope of eligible homeless service projects has not yet resulted in a significant increase in contributions or a larger fiscal impact to the State, despite expectations that it would do so when the HCTC was created. Additionally, the total number of donations decreased from 22,248 to 18,789 (about 16 percent) during the same period. However, the relatively flat amount of overall contributions and decrease in the number of donations could be due to broader economic trends that led to decreases in national giving, as noted above. Additionally, the denial of the credit for donations to intermediary organizations and HCTC's initial requirement that the tax credit certificates include donors' full Social Security Numbers could have reduced donations prior to Senate Bill 24-016, which addressed these issues. Further, since the HCTC credit is new, donations may also increase as more organizations and donors become aware of the program and credit. Notably, total HCTC Program contributions increased 23 percent from about \$20.8 million in 2023 to \$25.6 million in 2024, although it is not yet clear whether this increase represents a trend that will continue.

It also appears that the creation of the HCTC, which expanded the types of projects that can qualify for a credit, led to a substantial increase in the number of organizations and projects receiving donations as compared to the EZC Credit. OEDIT data show that the number of organizations and

projects receiving donations doubled in Tax Years 2023 and 2024, the first years that the HCTC replaced the EZC Credit. Additionally, most organizations participating under the EZC Credit continued under the HCTC. Specifically, of the 40 organizations receiving donations under the EZC Credit in Tax Years 2021 and 2022, 39 continued to receive donations in 2023 and 2024 under the HCTC. However, because the total amount donated remained relatively stable while the number of organizations receiving donations increased, the average donation amount received by organizations and projects also fell substantially because donations were spread across a larger group of recipient organizations and projects.

Exhibit 4 compares approved EZC contributions for homeless organizations in 2021 and 2022 with approved HCTC contributions in 2023 and 2024.

Exhibit 4

Comparison of the EZC and HCTC Contributions, Organizations, and Projects

	Enterprise Zone Contribution Credit (2021-2022)	Homeless Contribution Tax Credit (2023-2024)
Total Number of Individual Contributions	22,248	18,789
Total Amount Contributed to Homeless Service Organizations	\$43,848,087	\$46,352,072
Total Organizations Receiving Donations	40	80
Total Projects Receiving Donations	46	105
Average Amount Contributed per Organization	\$1,096,202	\$579,401
Average Amount Contributed per Project	\$953,219	\$441,448

Source: Office of the State Auditor analysis of data provided by Office of Economic Development and International Trade and the Division of Housing.

The number of donations to projects in rural areas is significantly less than to projects in non-rural areas, despite the larger credit percentage for contributions to rural projects. As mentioned above, donations to projects in rural areas are eligible for a 30 percent credit, whereas donations in non-rural areas are only eligible for a 25 percent credit. Ninety-four percent of total HCTC-eligible contributions were made to projects in non-rural areas.

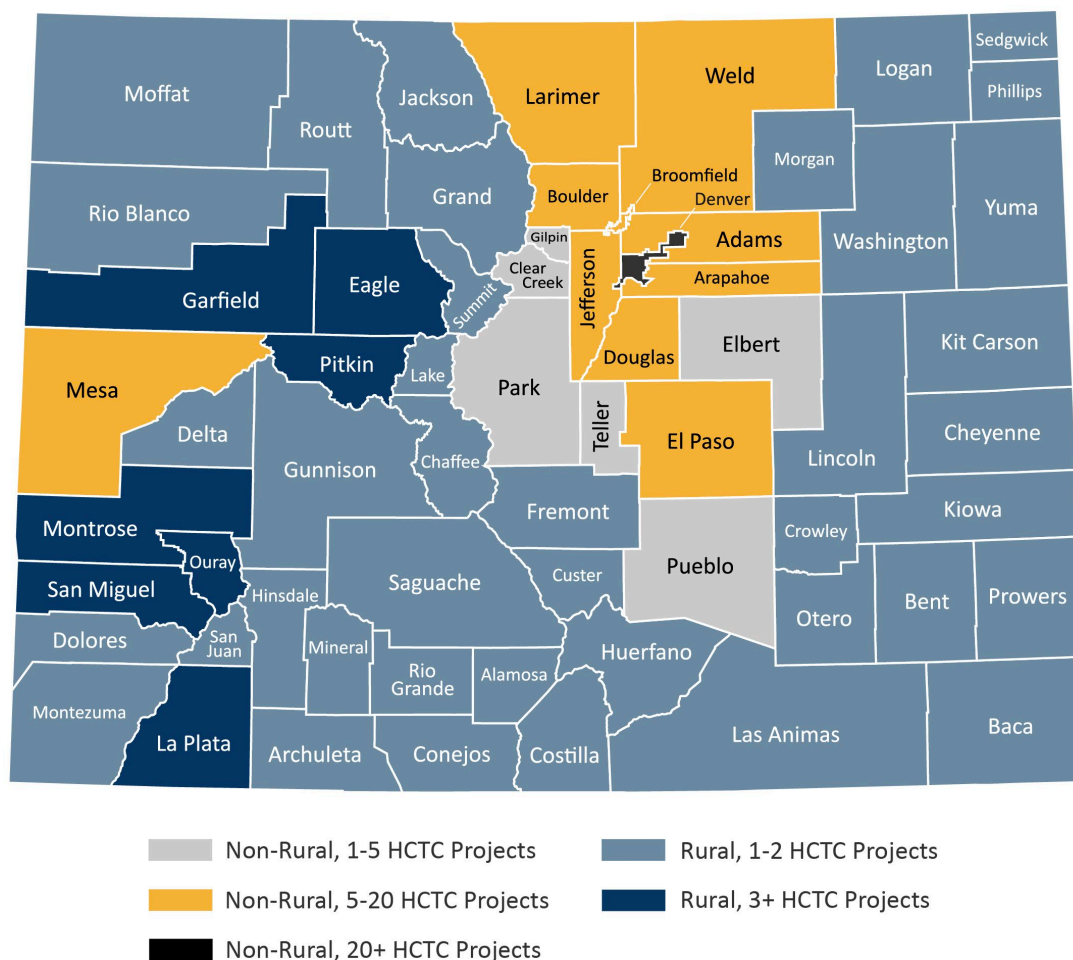
There are fewer HCTC-eligible projects in rural areas and, in general, rural areas are underserved when it comes to resources for those at risk of homelessness. While every county has at least one HCTC project serving it, for many rural counties, that support is limited to a 211 hotline (a free service that provides individuals with information on community resources, such as food or housing assistance) rather than an organization/project with a physical location that provides services. Of the 47 counties designated as rural in the state of Colorado, 31 do not have an HCTC-eligible project located in their area (except the 211 hotline). Of the 16 rural counties that have an HCTC-eligible

project, nine only have one project in addition to the 211 hotline. By contrast, Denver County is served by 42 HCTC-eligible projects.

Exhibit 5 shows the reach and concentration of HCTC projects across all Colorado counties.

Exhibit 5

Location of Nonprofit Service Projects from 2023-2024



Based on survey responses from nonprofit organizations serving rural areas, availability of resources is a particular challenge, as are the distances they have to cover, making it challenging to meet people who are unhoused where they are physically located. According to Division staff, for the most part, counties that do not have projects lack homeless response nonprofits providing services.

Smaller fundraising pools and staffing resources in rural areas may also present barriers for HCTC participation. In our survey of HCTC contributors, we asked, “Do you reside in/is your business located within the same county (or within close proximity to) the Homeless Contribution Tax Credit project(s) to which you/your business contributed?” Of the 699 donors who responded to this question, about 77 percent reported that they live in close proximity to the HCTC project to which they contributed. Further, when surveyed on their motivation for donating to rural project, half cited

familiarity with/support for the project and a desire to help their local community and only 11 of 98 donors who responded reported that the larger credit was the primary motivation for donating. It may be that, rather than incentivizing more people to give to rural homeless service projects, the increased credit percentage serves rural areas by rewarding the donors who already contribute a disproportionate share of private giving in these communities.

Data on the amount of Homeless Contribution Tax Credits claimed by taxpayers is not available yet. We estimate that the credit reduced state revenue by \$5.3 million in 2023 and \$6.5 million in 2024, at most, and higher-income individuals will claim many of the credits. Because the HCTC did not begin until 2023, the Department of Revenue will not have data available on the first year of tax credit claims data until 2026, after the publication of this report. We plan to add an addendum to our report with the revenue impact as reported by the Department of Revenue when it releases that data in early 2026. At this time, we can provide an estimate of the maximum cost to the State using the total contributions received by non-rural and rural projects and applying the applicable tax credit percentages (i.e., 30 percent for projects in rural areas and 25 percent for projects in non-rural areas). This estimate assumes that all approved contributions received tax credits for the full amount in the year they were issued; however, it is likely some taxpayers will not claim the credit or who do not have sufficient tax liability to claim the credit in the first year and will carry it forward to future years. When the HCTC Program was established, it was estimated by Legislative Council Staff to reduce revenue by \$2.6 million in Fiscal Year 2023, \$6.1 million in Fiscal Year 2024, and \$7.5 million in Fiscal Year 2025.

Exhibit 6

HCTC Revenue Impact Estimate for Tax Years 2023 and 2024

	Estimated 2023 Tax Credits	Estimated 2024 Tax Credits
Rural (30% Credit)	\$456,493	\$394,583
Non-rural (25% Credit)	\$4,817,892	\$6,060,896
Total Credits	\$5,274,385	\$6,455,478

Source: Office of the State Auditor estimate of the maximum revenue impact of the Homeless Contribution Tax Credit based on Division of Housing contribution data.

Some organizations and donors reported challenges with providing credit certificates and claiming the credit in their survey responses. For example, some entities found the Division's reporting software difficult to use and some taxpayers reported not receiving or knowing how to submit their certificates to claim the credit. It is unclear how widespread these issues are and whether they will impact how many taxpayers claim the credits they are eligible for.

We expect that high and middle-income taxpayers who make relatively large charitable donations are more likely to claim the credit. Of the HCTC contributors who responded to an OSA survey, a majority (66 percent) reported annual incomes over \$100,000. A small portion (3 percent) reported having lower incomes (under \$50,000). This data is not definitive and it may be that high-income households were more inclined to respond to our survey and, specifically, to the survey question on

annual income. Based on contribution data collected by the Division, of the 7,873 individual contributors to the program who were eligible for the credit from 2023-2024, the 100 who contributed the most accounted for a little more than 30 percent of total contributions, with the average amount donated being about \$140,000. Furthermore, the top 10 percent of donors by dollars contributed account for two-thirds of total program donations, with an average total donation amount of about \$39,000. For all other donors (bottom 90 percent), the average amount donated was about \$2,200. Therefore, larger contributions from relatively few donors appear to have a significant impact on overall program contributions.

Policy Consideration

We did not identify any policy considerations for this tax credit.

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