



**COMMUNITY FOUNDATION  
OF NORTHERN COLORADO**

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## **NEWS RELEASE**

### **Major Changes to 2022 Colorado Tax Laws to Impact Donations**

#### **FOR IMMEDIATE RELEASE**

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Gov. Jared Polis approved a new House Bill earlier this year, which will take effect on January 1, 2022. The legislation (21-1311) will enact a new method of taxing high-earning Colorado residents.

Itemized deductions (which allow people to lower their taxes by subtracting things like mortgage interests and charitable donations from their taxable income) will have a cap beginning in 2022. This cap affects those with an annual income of more than \$400,000. High-earning individuals cannot subtract more than \$30,000 from their taxable income; similarly, high-earning couples cannot subtract more than \$60,000 from their taxable income.

For example, suppose a couple with an annual income of \$600,000 donates \$200,000 to charity. The new bill declares they cannot itemize more than \$60,000 of their deductions. This means they will be required to pay state income tax on \$540,000 of their income, despite their \$200,000 donation. However, if this couple was to make the same donation before the beginning of next year, they would be able to itemize the full \$200,000—no caps.

This new legislation is expected to increase state revenue by more than \$100 million annually. More than half of the total predicted state revenue (roughly \$230 million) will be used to fund tax credits benefitting small businesses and people with lower incomes.

In light of these changes, Kristin Todd, president of the Community Foundation of Northern Colorado, suggests donors consider other donation strategies. “Affected individuals may want to discuss implications of the change with their tax professional to explore other giving options, like donor advised funds. By giving to a donor advised fund in 2021, donors will have the freedom to make gifts to their favorite nonprofits in 2022 and beyond without being subject to the new constraints.” Todd mentions the Community Foundation as a resource to help donors achieve their philanthropic goals.

#### ***About the Community Foundation of Northern Colorado:***

*The Community Foundation is a nonprofit, public foundation working for the benefit of charitable causes and organizations in Northern Colorado. In fiscal year 2020, it distributed \$9.9M, managed \$132M in assets, and served hundreds of individual charitable funds. The Foundation provides a unique leadership role by bringing people and resources together around important local issues. More than 75 local nonprofit organizations have their endowments housed with the Community Foundation and many individuals and businesses have established donor advised funds.*