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June 21, 2023

Representative Cynthia Neeley
P.O. Box 30014
Lansing, MI 48909-7514

Dear Chair Neeley and Members of the Tax Policy Committee:

On behalf of more than one million residents giving to charities and 58 community foundations that serve all 83 counties, we ask that you support advancing legislation out of committee that would allow working families to receive a tax credit for their charitable contributions.

The Michigan Senate recently passed Senate Bills 127 and 128, 33-5 and 35-3, respectively. These bills would allow Michigan taxpayers to claim an income tax credit for donations made to endowed funds at community foundations and donations to food banks and homeless shelters. We [know these types of tax credits are effective](#) at increasing donations to support and strengthen our network of Michigan nonprofits that continue to face increased needs and high demands. Tax credits incentivize giving across income levels and cultivate lifelong giving habits among first-time donors.

This is critical because data shows a decline in charitable giving by lower and middle-income households. A study published by Indiana University's Lilly Family School of Philanthropy found that nearly eight out of 10 households with more than \$200,000 of wealth gave to charity in 2018. Fewer than four in 10 households with wealth less than \$50,000 made donations during the same period.

These bills incentivize charitable giving among first-time and low to moderate-income households by allowing Michigan taxpayers to claim an income tax credit equal to half the value of their donation up to \$100 for individuals and \$200 for joint filers. Resident estates and trusts could claim up to 10% of their tax liability, capped at \$5,000.

Advancing this legislation would allow Michigan taxpayers to invest in their communities and give charitable donations to endowed funds at community foundations across the state, strengthening our nonprofits. Community foundations hold a variety of endowed funds established by nonprofits in their community. These endowments have professional oversight and help to stabilize nonprofit budgets, increasing their ability to help Michigan children and families in our communities now and into the future.

These tax credits, once in place, are effective. The original tax credits were passed in 1988 and eliminated in 2011, with legislation effective in 2012. [A study by the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University](#) found that from 2011 through 2013, there was a 44% decline in \$200 donations and a 37.5% decline in first-time donors at the \$200 level during that time period.

On the federal level, we saw the positive effects of tax credits on charitable giving when Congress enacted a temporary \$300 deduction for cash gifts in response to the pandemic. The Fundraising Effectiveness Project found that donations under \$250 increased by 15.3% during 2020. While donations typically increase during crises, these are usually over \$1,000, suggesting much of the smaller donation growth was due to the tax incentives. This is further supported by the same research group also identifying a 28% increase of \$300 gifts, the exact maximum amount a donor can claim for a tax deduction.

In addition to spurring first-time and smaller donations, donors see the benefits of their money at work. They are more likely to give in the future, not just to a given nonprofit but also more broadly across the nonprofit sector. Increases in charitable giving help our communities and reduce the financial demands on government.

In summary, we support legislation that spurs charitable giving. We know these types of incentives work to increase giving, and we know the hugely positive effects on our local communities that come from increasing the capacity of nonprofits. We ask that this committee support this targeted tax credit that benefits families and nonprofits working to meet community needs. The financial impact of this credit on the state is minimal relative to the value these donations will create in our communities across Michigan.

We appreciate your consideration of Senate Bills 127 and 128 and look forward to your support. Please feel free to reach out to me or Regina Bell, Chief Policy Officer, at rbell@michiganfoundations.org, 313.566.2447.

Regards,



Kyle Caldwell
President and CEO