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December 4, 2019

The Honorable Lynn Afendoulis, Chair, and  
Members of the Tax Policy Committee  
Room 521, House Office Building  
Lansing, MI 48933

RE: Council of Michigan Foundations support for restoration of  
Charitable Tax Credits

Dear Chairperson Afendoulis and Members of the Tax Policy  
Committee,

On behalf of the 60 community foundations in Michigan, we are writing to express our support for House Bill 4993 S-1, a bill that would restore the charitable tax credit for contributions made to endowed funds at community foundations. This tool is needed now to help all Michiganders give and improve the quality of life at the community level.

The Council of Michigan Foundations (CMF), a more than 45-year old membership organization that represents a community of philanthropists committed to improving outcomes for Michigan, and beyond. The CMF member community includes nearly 5000 individuals representing over 330 organizations. Through its members, CMF represents 85 percent of Michigan's more than \$30.4 billion in organized philanthropic assets. This includes the 60 community foundations in Michigan serving all 83 counties in the state.

A community foundation is a tax-exempt charitable organization that provides support, primarily for the needs of the geographic community or region where it is based, from funds that it maintains and administers on behalf of multiple donors. Like a public charity, community foundations seek support from the general public, but like private foundations, they also provide grants. House Bill 4992 and House Bill 4993 S-1 would restore the charitable tax credit that donors receive for making contributions to endowed funds at community foundations and charitable giving to other nonprofit organizations such as food banks and homeless shelters in Michigan.

From 1991 through 2011, Michigan offered a charitable tax credit to residents giving to endowed funds. In 1991, Michigan had 33 community foundations with about \$350 million in assets. This grew to 65 community foundations with more than \$2.5 billion in assets in 2011. While the growth in assets was not solely caused by the community foundation tax credit, we learned from stories shared by Michiganders that it became part of their habit of annual giving knowing that the state was a partner with them in building a strong nonprofit sector.

In 2012, the tax credit was part of an overall package that eliminated all state income tax credits for charitable donations to help close Michigan's budget deficit. Additionally, the new tax act passed by Congress in December 2017 has reduced the number of Michiganders able to take advantage of the charitable tax deduction. These two actions have resulted in a decline in charitable giving. In June 2019, Giving USA found inflation adjusted individual giving dropped by 3.4 percent in 2018 compared to 5.2 percent growth a year prior. What's more, research conducted by the Johnson Center at Grand Valley State University confirms the loss of Michigan's charitable tax credit does influence how much individuals give with a drop of 47 percent in the number of \$400 gifts by couples.

The research also confirmed that the charitable tax credit serves as a pipeline for younger donors in helping them establish charitable giving as a lifetime activity. Michiganders in their 20s and 30s were more inclined to make charitable gifts as a result of this charitable tax credit from the State.

House Bill 4993 S-1 would restore a 50 percent credit of up to \$100 for individuals, \$200 for married couples and 10 percent of the taxpayer's tax liability for the year (before claiming any credits) or \$5,000, whichever is less, for resident estates or trusts, for gifts made to endowed funds at community foundations.

We respectfully request that the House Tax Policy Committee pass House Bill 4992 and House Bill 4993 S-1, restoring the charitable credits and allowing Michiganders the opportunity to support charitable organizations serving our communities.

Respectfully,

Kyle Caldwell

President & CEO

Regina Bell

Director of Government Relations &  
Public Policy

Working to Grow Thriving Communities

# COMMUNITY FOUNDATIONS

## What are community foundations?

Community foundations (CFs) are grantmaking public charities dedicated to improving the lives of people in a defined local geographic area. CFs are defined by state law - Public Act 4 of 2017.

They bring together the financial resources of individuals, families and businesses to support effective nonprofits in their communities.

Definition language adapted from the Council on Foundations

Michigan community foundations distributed over \$214.4M in grants to help their communities in 2017-18.

In 2017-18, community foundations awarded grants to support issues ranging from civil rights and nutrition to environmental protection and public safety.

Fields receiving the largest grant dollars were: Education (\$38.5 Million); Arts, Culture and Humanities (\$23.1 Million); Public Affairs (\$21.4 Million); Human Services (\$19.5 Million); Scholarships (\$19.2 Million); Community Improvement and Capacity Building (\$16.9 Million); and Healthcare (\$11.4 Million).

### Support Across MI



All 83 counties in Michigan benefit from a community foundation.

### National Standards



50 of the 61 Michigan community foundations meet National Standards.

### Benefitting Our State



CFs partner with the State and legislature in regranting tobacco settlement dollars, in homelessness prevention planning, and more.

### Community Leaders



Beyond grantmaking, CFs play an instrumental role as community conveners.

### Building the Future



CFs engage nearly 1,500 MI youth grantmakers annually through Youth Advisory Committees (YACs) and grant approx. \$2M annually.

### Top Youth-Funded Issue Areas in MI

- 1. Bullying
- 2. Mental Health
- 3. Drug & Alcohol Abuse
- 4. Pressure to Succeed
- 5. College & Careers

### Public/Private Partnerships



CFs support local units of government and school systems locally and regionally.

### Civic Engagement



99% of MI YACs participated in community service activities in the 2017-18 year.

# CMF Member Community Foundations

- Albion Community Foundation  
Tim Krause • office@albionfoundation.org
- Allegan County Community Foundation  
Theresa Bray • theresa.accf@gmail.com
- Ann Arbor Area Community Foundation  
Neel Hajra • nhajra@aaacf.org
- Baraga County Community Foundation  
Gordette Cote Leutz • baragacf@up.net
- Barry Community Foundation  
Bonnie Gettys • bonnie@barrycf.org
- Battle Creek Community Foundation  
Brenda Hunt • brenda@bccfoundation.org
- Bay Area Community Foundation  
Diane Fong • dfong@bayfoundation.org
- Berrien Community Foundation  
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- Branch County Community Foundation  
Colleen Knight • info@brcofoundation.org
- Cadillac Area Community Foundation  
Doreen Lanc • d.lanc@cadillacfoundation.org
- Canton Community Foundation  
Beth Meade • bmeade@cantonfoundation.org
- Capital Region Community Foundation  
Dennis Fliehman • dfliehman@ourcommunity.org
- Charlevoix County Community Foundation  
Chip Hansen • info@c3f.org
- Chippewa County Community Foundation  
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- Four County Community Foundation  
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- Fremont Area Community Foundation  
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Sharon Bisher • s.bisher@aboutthccf.org
- Huron County Community Foundation  
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- Jackson Community Foundation  
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- Lapeer County Community Foundation  
Nancy Boxey • nboxey@lapeercountycf.org
- Leelanau Township Community Foundation  
Joan Moore • director@leelanaufoundation.org
- Lenawee Community Foundation  
Suann Hammersmith • sue@lenaweeef.com
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- The Community Foundation of the Holland/Zeeland Area  
Mike Goorhouse • mgoorhouse@cfhz.org
- Three Rivers Area Community Foundation  
Melissa Bliss • melissa@threeriversfoundation.com
- Tuscola County Community Foundation  
John Hunter • tccf534@centurytel.net

# Repeal of the Michigan Community Foundation Tax Credit Impacts Charitable Giving

In tax year 1989, Michigan's Charitable Tax Credit for Community Foundations went into effect, providing a Tax Credit of 50% for donations to an endowed fund held by a community foundation certified by the State of Michigan. The Credit was worth up to \$200 for a couple or \$100 for an individual, and up to \$5,000 or 10% of Michigan business tax liability—whichever was less.

## The Charitable Tax Credit for Community Foundations was repealed effective with the 2012 tax year.

The **Council of Michigan Foundations** contracted the **Dorothy A. Johnson Center for Philanthropy** to survey Michigan Community Foundations to determine the impact to community foundations for each of the two years after repeal.

The survey inquired about changes in the number of \$200 and \$400 donations—the amounts that would trigger the maximum Tax Credit. Individuals or couples who gave at these amounts are presumed to have been motivated in part by the Tax Credit.

THE SURVEY FINDINGS SUGGEST  
THAT THE IMPACT OF THE REPEAL  
HAS BEEN SIGNIFICANT.

The average number of donations at the key dollar amounts decreased significantly from 2011 - 2013.



*"While the individual \$200 and \$400 gifts were wonderful, it was the relationships that we started as a result of these Tax Credit gifts that is the greatest loss. In 2013, we had 89% fewer first-time \$200/\$400 donors than we did in 2010. **The loss of the Tax Credit has significantly reduced our pipeline of new donors and will reduce the amount of permanent resources we have to address our community's most critical needs forever.**"*

## CHANGES IN DONATION PATTERNS

The average amount of \$200 and \$400 donations for all community foundations together decreased significantly from 2011 - 2013



*"Before the repeal, we would get hundreds of these \$200-400 donations. When the Credit ended, our contributions dropped to zero. **Before we were bringing in probably upwards of \$100,000/year and when the incentive was taken away this went away completely.** The repeal also affected other donors because we used to get a lot of year-end contributions that have now dropped by around 50%"*

## FIRST TIME DONORS

The most dramatic change over the 2011 - 2013 time period is in the number of new donors.



*\*In 2011, there was an increase of first time donors who gave at the \$200 and \$400 levels. This may be due to community foundation campaigns to increase giving as a "last chance opportunity" to take advantage of the tax credit.*

***"I think our numbers speak for themselves. We have seen big changes in our giving as it relates to the MI Tax Credit***

*There is a perception that only very rich people give to community foundations. By being able to talk about a \$200 or a \$400 gift, it made everyone feel good about giving to their community foundation and being proud of their support. Of course, those small entry level gifts help us to build a pipeline of donors too!"*