



HB 4531

June 21, 2023

Chairperson Cynthia Neeley and Members of the  
House Committee on Tax Policy

Re: Capital Region Community Foundation Support for Restoration of Charitable Tax Credit

Dear Chairperson Neeley and Members of the Committee:

I am the President and CEO of the Capital Region Community Foundation, which serves Ingham, Eaton and Clinton Counties. I offer support for reinstating the state charitable tax credit for donors who contribute to an endowment fund held by a community foundation.

Because our community foundation has almost 200 endowment funds for nonprofits in our region, we have seen the tremendous impact of both the charitable tax credit and its elimination in 2012. Endowment funds provide an ongoing, reliable source of support for charities, many of which provide basic human services to the hungry, homeless, and racially underserved. Endowment funds are invested for growth, on average earning more than 10% per year and yielding annual distributions of 5%. These distributions provide an ongoing, reliable source of support for the charities, many providing basic human services to families in need.

One of the primary benefits of the former tax credit was that it provided an incentive to encourage donors to make annual contributions to those charities' endowment funds, gifts that would not otherwise be made.

As an example, I would point out the experience of Loaves and Fishes Ministries, a small nonprofit organization in Lansing that serves the poor and the homeless. In late 2002 Loaves and Fishes received a \$10,000 charitable bequest from a long-time donor, and used that bequest to establish an endowment fund with the Community Foundation. Loaves and Fishes then began a multi-year campaign to inform its donors about the endowment fund, pointing out that because of the charitable tax credit then in effect, even a modest gift of \$200 or \$400 to the endowment fund would provide significant tax benefits to the donor.

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Testimony of Laurie Strauss Baumer

June 21, 2023

Page Two

Loaves and Fishes' donors responded with hundreds of gifts to the endowment fund over the next nine years, while the tax credit was in effect. A large number of the gifts were for exactly \$200 or \$400, the maximum amounts benefitting from the tax credit, and almost all of the gifts were modest in size. At the end of 2011 the fund had increased in size to over \$100,000. Furthermore, because the fund is invested with hundreds of others, their fund's current balance has increased to \$255,404, providing substantial annual support for the organization's good work helping the poor. Unfortunately, once the tax credit expired and Loaves and Fishes could no longer promote that tax benefit to donors, gifts to the endowment fund dried up. One can only imagine what their endowment's size – and its distributions – would be today had the tax credit remained.

This is just one example of hundreds of permanent endowments at our community foundation. **When the incentive was revoked, we saw the gifts plummet. In direct correlation to the tax credit levels, \$200 gifts fell 70% and \$400 gifts fell 76%.** Many of our funds serve the hungry and homeless, as well as agencies like Big Brothers Big Sisters, Boys and Girls Club, Highfields, Hospice, Ele's Place...charities that are the fabric of our community and lifelines to families. For almost 200 agency funds, the impact was profound.

It is important to understand that endowment funds last forever and help charities survive during times of trouble. During Covid, it was a source of funding our charity partners could count on to help them stay afloat.

Please reinstate the charitable tax credit for the good of all charities supporting our communities.

Thank you,



Laurie Strauss Baumer  
President and CEO  
Capital Region Community Foundation