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Hearing: Tax Reform and Charitable Contributions

February 14, 2013

The Honorable Representative David Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives

Dear Chairman Camp:

On behalf of the more than 2,300 private nonprofit charitable foundations in Michigan and the more than 50 public charitable community foundations in Michigan, we thank you for holding this Hearing on the value of the charitable tax deduction and its role in incentivizing charitable giving by Americans.

The Council of Michigan Foundations (CMF) is a 40 year old state wide nonprofit association of charitable foundations and corporate giving programs with a mission to strengthen, promote, and increase philanthropy in Michigan. In support of this mission, especially increasing philanthropy in Michigan, we have maintained a Goal to maintain the charitable tax deduction as a core legislative priority for the past 38 years.

Organized philanthropy through foundations and corporate giving programs provides annual charitable gifts in Michigan of about \$1.5 billion a year. While this may seem like a significant number, we know that it is dwarfed by the individual giving of Michiganders, estimated to exceed \$ 3.8 billion annually. We support the annual Giving and Volunteering Survey done by Michigan State University as part of the annual state of the State Survey. This Survey has consistently reported every year that more than 85% of Michiganders are involved in individual charitable giving. When respondents are asked about the impact of the charitable tax deduction on their giving, they report that the charitable tax deduction is not the primary reason for their giving but it does influence the amount they will give to charity. This finding confirms the findings from other research that the charitable tax deduction is a powerful incentive for individual givers.

We also want to share another example of the power of charitable giving incentives. For 20 years from 1991 through 2011, the State of Michigan offered a charitable tax credit to residents making gifts to endowment funds held by community foundations serving our 83 counties. Michigan had 33 community foundations in 1991 with about \$350 million in assets. As of December 2011 there were 65 community foundations with more than \$2.5 billion in assets.

While this growth in assets was not solely caused by the community foundation tax credit, we have learned from stories shared by Michiganders that it became part of their habit of annual giving knowing that the state was partnering with them in building a strong nonprofit sector.

The Johnson Center at Grand Valley State University is now conducting research for CMF on the impact of the loss of the tax credit in 2012 on charitable giving. Preliminary results indicate that giving was reduced in 2012 compared to 2011 by 20% to 40% in terms of the number of \$400 gifts received in 2011 matched by the State Credit of \$200 and \$400 gifts received in 2012 without a State Credit. We will provide that Study to you and the Committee staff as soon as it is completed.

Finally, we want to share that we have hosted visitors from other countries – Brazil, England, Germany, Italy, Mexico, South Africa and Russia to name just a few – all seeking to learn what it takes to build a strong nonprofit sector like we have in Michigan and across our country. We have been able to demonstrate to them that the charitable tax deduction in place for nearly 100 years represents the unique partnership between our federal government and each of us as individual citizens to be responsible for the greater good of all Americans – that we are stronger individually because of our individual and collective action together. We can state that the charitable tax deduction has been used as a model for tax reform in many of these countries eager to have a strong nonprofit sector.

As you well know, one in ten Michiganders work for a charitable 501(c)3 nonprofit organization. At a time when the nonprofit sector is being asked to take on more responsibilities that traditionally have been fulfilled by government, we need every incentive possible to continue this unique partnership between our federal government and its citizens. In popular business terms, the charitable tax deduction offers a remarkable ROI to our federal government.

While private philanthropy cannot replace the role of government, we have demonstrated over the past 40 years that we are indeed an important partner for government at all levels. In fact, with foundation support CMF has five loaned staff to Governor Snyder at this time – each working on important public-private partnerships. We are eager to assist you, Ranking Minority Member Representative Levin, and all Committee members in exploring how we can strengthen this unique partnership represented by the incentive offered through the Charitable Tax Deduction.

Our 40 years of experience in promoting the increase of philanthropy in Michigan confirms that all Michiganders want to be involved as charitable givers. The Federal Charitable Tax Deduction is a powerful partner in helping them realize that goal. Thank you for your support of philanthropy in your hometown of Midland and throughout Michigan.

Please let us know how the Council of Michigan Foundations can help you further in this important work.

Respectfully submitted,



Robert S. Collier
President