

# THE IMPACT OF TAX POLICY ON CHARITABLE GIVING

From 1991 to 2011, Michigan residents could receive the first Charitable Tax Credit for Community Foundations in the country that helped build permanent endowment funds at local community foundations. Families received a 50% tax credit, \$200 credit for a \$400 gift, and individuals received a \$100 tax credit for a \$200 gift. As the result of major tax reform legislation signed into law by Governor Rick Snyder, this **Charitable Tax Credit for Community Foundations and two other charitable tax credits ended on December 31, 2011.**



**“Has the loss of the Michigan Community Foundation Tax Credit resulted in a decrease in 2012 charitable giving?”**

The answer is **yes!**

**“We decided to curtail our gift to you by 25%. We hope the Legislature and Governor will reinstitute the tax credit in order to incent more giving, from more people.”**

*—From a donor letter to a Michigan community foundation*

The Council of Michigan Foundations retained the Johnson Center at Grand Valley State University to compare gifts received by Michigan community foundations in 2012 versus 2011 when the tax credit was still in effect. Thirty-one of the 65 community foundations, certified by the state for the tax credit, responded to the survey and reported:

- A **51% decrease** in \$400 donations
- A **28% decrease** in \$200 donations
- A **27% decrease** in all donations \$400 and below.
- Collectively, across the survey respondents, a **loss of more than \$1.15 million** was reported.

A key theme from the qualitative survey responses was that the tax credit has served as a tool for engaging new donors, some of whom increased their giving over time, and even made estate gifts. Several foundations reported that the tax credit was the reason for creating “400 Clubs” where donors received recognition by giving a gift of exactly \$400.

While this decrease is significant, the full effects of the repeal may not be evident until current donors file their 2012 taxes and learn that they do not receive the tax credit and adjust their giving for 2013. The Johnson Center will conduct this survey again in 2014 to determine the impact on 2013 giving.

A number of studies show federal tax deductions and state tax credits to be effective builders of philanthropy. In their 2003 study, Feldman and Hines concluded Michigan’s charitable tax credits were cost-effective: “The available evidence indicates that state tax credits...stimulate greater additional contributions than they cost the state in the form of lost revenue.”

For contact information on the community foundations serving Michigan’s 83 counties, visit [www.michiganfoundations.org/community-foundations](http://www.michiganfoundations.org/community-foundations). The foundation directory can be accessed by clicking “find a community foundation” on the right side of the web page.