

Approved by the CMF Board of Trustees November 14, 2022.

2023-24 FEDERAL AND STATE GOALS

The goals are organized into three categories:

- **Action:** Legislation is either being drafted or already introduced.
- **Advocacy:** Letters of support and calls may be required.
- **Monitor:** CMF continues to monitor. Our partners in our philanthropy ecosystem may be taking the lead on this issue.

FEDERAL

1. **Action: Support legislation that would incentivize all Americans to be charitable givers.**

CMF will advocate for a universal charitable deduction and other inclusive tax incentives for charitable giving. Data shows these incentives increase the number of resources available for nonprofits to carry out their critical work and create inclusive access for individuals and families at all income levels.

Why CMF should engage

Democratizing giving through the universal charitable deduction provides everyone the same tax benefits previously only available to higher-income families that itemize deductions. It makes giving more equitable and broadens revenue streams for nonprofits. The policy strongly aligns with CMF's strategic framework of centering equity, has a statewide impact, and could significantly strengthen individual philanthropy. CMF should be involved in advocating for the passage of this legislation. The legislation has broad bipartisan support and has been an issue that our national infrastructure partners and community of philanthropy have been very active in. CMF should continue to lend our voice to the various coalitions working with our federal delegation to see the universal charitable deduction expanded and extended.

2. **Action: Protect the value of endowed philanthropy by maintaining the private foundation payout rate at the current 5% to protect foundations' grantmaking capability.**

CMF is recognized as a national thought leader and key sector partner on mandated base private foundation payout rates through our efforts over the past two decades in supporting data-informed discussions through commissioned research. Our research has consistently shown that a one-size-fits-all increase to private foundation payout requirements could be detrimental for some foundations in the short term and harmful for many foundations that intend to sustain a certain level of grantmaking in the long term.

Why CMF should engage

The introduction of [the ACE Act](#) (see below for more detail) has necessitated greater education on the value of endowed philanthropy. CMF has shown national leadership in commissioning the payout rate study through the Johnson Center for Philanthropy. If passed as is, the ACE Act would significantly change how endowed philanthropy operates without guaranteeing increased equity in grantmaking that proponents sometimes claim. While CMF has shown leadership on the issue through our commissioned research, our national infrastructure partners are also very engaged along with other PSOs to a varying degree. Given the divided opinions around philanthropy CMF should continue to actively play a role in advocating for data-driven policy and an inclusive discussion of policy change that reflects the diversity of foundations and philanthropy.

3. Action: CMF will support policies or regulations on donor advised funds (DAFs) that are data-informed, do not impose unnecessary and overly burdensome requirements and consider community impact.

Donor advised funds (DAFs) have a long history of being used to help individual donors engage in strategic charitable giving to meet short-term and long-term needs in their communities. CMF's advocacy positions around any potential or pending reforms to DAFs will be supported by data confirming the reform's effectiveness in helping philanthropy, and individual donors better serve their communities. This is to ensure that DAFs continue to be convenient, flexible and dynamic giving tools that help provide sustainable resources for community impact.

Why CMF should engage

The introduction of the ACE Act has necessitated greater education on the value of DAFs as a flexible, powerful, democratic philanthropy vehicle. CMF has shown national leadership in commissioning the payout rate study through the Johnson Center for Philanthropy. If passed as is, the ACE Act would significantly change DAF regulation without guaranteeing increased equity in grantmaking that proponents sometimes claim or a better fundraising landscape for philanthropy's nonprofit partners. While CMF has shown leadership on the issue, our national infrastructure partners are also very engaged along with other PSOs to a varying degree. Given the divided opinions around philanthropy CMF should continue to actively play a role in advocating for data-driven policy and an inclusion discussion of policy change that reflects the diversity of foundations and philanthropy.

4. Action: Promote talent retention in communities by supporting an amendment to the tax code that would make post-graduation scholarships non-taxable.

CMF and our partners at the Council on Foundations have advocated for legislation over the past several years to make post-graduation scholarships granted by foundations non-taxable. This would not only relieve college-degreed recipients of the tax burden on their scholarship but also encourage more foundations to offer post-graduation scholarships that attract, support and retain talent in their communities and help fuel and strengthen their local economies.

Why CMF should engage

The Community Foundation of St. Clair County is a national leader on this issue, and CMF is one of the lead organizations advocating for the policy and the legislation. Several equity considerations within this policy align well with CMF's strategic framework, and the legislation has the potential to significantly affect communities around the state in workforce attraction and retention. CMF should continue its leadership role building a coalition of voices to educate and advocate for passing the legislation.

5. Monitor: To support regulatory reforms and legislation that will make it easier for foundations to make program-related investments (PRIs) and mission-related investments (MRIs).

Program-related investments (PRIs) help CMF members further advance their missions and can be an important tool that helps foundations deepen their impact. We recognize that some of our members do not use PRIs because regulations are unclear. We anticipate many more could and would leverage this investment strategy if there were clear guidelines from Treasury. CMF will work in partnership with our legal counsel to advance recommendations to the U.S. Department of Treasury on clarifications and simplifications that could be implemented to support the use of PRIs and mission-related investments (MRIs).

Why CMF should engage

PRIs can help foundations make systemic, equitable change that aligns well with the CMF strategic framework. This technical issue tends to fly under the radar for both philanthropy and policymakers, showing that CMF engagement is needed. Working with Treasury is an effective avenue to support PRIs, but the new administration has struggled to fill the staff positions with permanent hires to build expertise and address the issue. Further, given the myriad other priorities in Treasury currently, existing Treasury staff time is devoted to other areas. CMF will continue to monitor this issue for viable opportunities for success in either the executive or legislative branches of government.

6. Monitor: Support legislation broadening tax-free distributions from IRAs to charitable organizations.

While the IRA charitable rollover is now a permanent giving incentive – a significant accomplishment for our sector – there are other charitable entities and supporting organizations that CMF members would like included as eligible entities for tax-free charitable distributions for IRAs. CMF will continue to monitor proposed legislation that seeks to broaden tax-free distributions from IRAs to increase dollars donated by individuals from their IRAs for strategic grantmaking in the communities our members serve.

Why CMF should engage

Tax-free IRA distributions could be an important tool for helping our community foundations across the state build endowments or fund programs. CMF staff has continued to advocate for the inclusion of this language in any relevant legislation moving through Congress. The current retirement package moving now has a lot of broad support and voices advocating and shaping the bills. The current language is a partial win in broadening the tax benefits, but it does not include DAFs due to budget impact concerns. CMF will continue to monitor the federal legislative landscape looking for more opportunities but will need to work in partnership with others to accomplish what could be a significant political lift.

STATE

1. **Action: Restore Charitable Tax Credits**

CMF has been working over the past several years to restore the charitable tax credit once available to Michiganders. Charitable incentives at the state level are critical to ensuring endowed funds held at community foundations by local nonprofits have access to the resources they need for the communities they serve. Mainly, incentivizing small gifts through charitable tax credits engages younger and first-time donors who become more likely to be lifelong givers.

Why CMF should engage

The importance of this tax credit as a tool for CMF community foundation members to build endowed funds for the foundations and their nonprofit partners has made this issue a priority for CMF since the tax credit was eliminated in 2011. Although we partner with other organizations that may be included in a final legislative package, CMF is leading the advocacy efforts for the legislation. The issue garners broad bipartisan support, and with the influx of federal funds and the state budget surplus, we have a unique window of opportunity to pass a tax credit. CMF will continue to make this timely, important issue a priority.

2. **Monitor: Regulations that would mandate public donor disclosure.**

Over the past several years, several states have considered measures to require charitable organizations to disclose information about donors on a confidential basis. CMF and our partners will remain attentive to the policy landscape around this issue and will continue monitoring donor disclosure laws' implications on the sector.

Why CMF should engage

Although this could become an important issue if momentum builds to eliminate donor privacy, it is unclear what state action could occur in light of a [U.S. Supreme Court decision](#) preventing California from forcing donor disclosure to their state Attorney General. With this in mind, the GRPPC recommends continued monitoring for any attempts at the state or federal level to reduce donor privacy through legislation or executive branch action.

3. **Monitor: Support property tax exemption; oppose mandatory and coercive demands for payment in lieu of taxes (PILOTS).**

Some municipalities request payment in lieu of taxes (PILOTS) from nonprofits to raise additional revenue, leaving nonprofits in a predicament that would force them to divert resources away from their direct charitable missions. With MNA's leadership, CMF continues to monitor this issue with key stakeholders representing the nonprofit community's subsectors.

Why CMF should engage

The tax-exempt status of nonprofits has been crucial over the years in helping nonprofits stretch their lean budgets and focus on their work. If these tax exemptions were eliminated, it would have profound equity implications since many of the smaller nonprofits serve marginalized communities and would be the most

affected. Several factors, from property tax law to state revenue sharing decreases, continue to make local budgeting a challenge that incentivizes local government units to be creative in raising revenue. Although the Michigan Supreme Court has a strong precedent set in two rulings, several factors suggest CMF must remain vigilant on this issue.