

CRAIN'S DETROIT BUSINESS

SURVEY: LOSS OF STATE TAX CREDIT HURT DONATIONS

November 3, 2013

By Sherri Welch

It's long been held that tax credits provide some donors with incentives to give — or to give more.

Now nonprofits around the state believe they have numbers to prove that removing one of the state's financial carrots has made giving less appealing to Michigan taxpayers.

Many say individual giving to the state's food banks/rescues, homeless shelters and community foundations dropped in the wake of the 2012 elimination of state tax credits for gifts to those organizations as part of Michigan's recent tax reform.

The tax reform package eliminated charitable tax credits for donations to those types of nonprofits — and to public institutions such as public broadcasting stations, higher education facilities, colleges, universities, university fundraising groups, public libraries, museums and donations of publicly displayed art work.

Previously, the Michigan tax code provided a 50 percent credit of up to \$100 for individuals on a \$200 gift, a credit of up to \$200 for married couples on a \$400 gift and a credit of up to \$5,000 for business taxpayers or 10 percent of their Michigan business tax liability, whichever was less.

Many nonprofits and associations representing them have taken a look at the initial impact of the state's lost charitable tax credits on gifts of \$200, \$400 and lesser amounts, since those were common categories of gifts donated with taxpayers' intentions of claiming the state tax credits.

According to a survey of 31 Michigan community foundations commissioned by the Council of Michigan Foundations, the state's community foundations saw a 27.5 percent drop in donations of \$400 or less following the loss of the state credit last year.

Those losses totaled more than \$1.12 million for 27 community foundations that quantified the drop in those gifts last year, which was just half of the 55 community foundations initially contacted by the Johnson Center on Philanthropy at Grand Valley State University in Grand Rapids for the study.

Donations of \$200 and \$400, the maximum gifts individuals and couples could give to get half back as a credit on their taxes, dropped 28 percent and 51 percent, respectively, according to the study.

The loss of the community foundation tax credit has meant the loss of a tool that helped introduce all Michiganders to the idea of building permanent, community philanthropy, said Council of Michigan Foundations President Rob Collier.

The credit also helped spur nonprofits across the state to begin building permanent endowment funds housed at their local community foundations and grow them by mentioning the tax credits for such gifts as part of their annual appeals to donors, Collier said.

Those permanent endowments contribute to the stability of the nonprofit sector by providing a sustainable source of revenue, he said.

Many groups also used the tax credit to create permanent endowed scholarship funds, and anecdotal evidence indicates the loss of the credit is impacting the ability to grow those funds, Collier said.

Tax policy doesn't make people give or not give, but it does impact how much people give, he said.

“With the loss of the credits, a lot of people cut their giving in half ... the research confirms that tax policy does impact how much people will give.”

The Lansing-based Food Bank Council of Michigan did a similar survey of its members, asking them to weigh in on the percentage change in \$200 and \$400 donations during the state’s fiscal 2012 ended Sept. 30, 2012.

Seven food banks/rescues serving 83 Michigan counties indicated that donations of \$200 dropped 29 percent during that period, and \$400 donations from couples dropped 47 percent, said Executive Director Kareemah El-Amin.

The council is drilling down further to come up with the dollar amounts of the declines, she said.

Adding to the effects of the loss of the tax credit was the looming fiscal cliff issue last year, El-Amin said.

With that issue and this fall’s government shutdown, “donors became more cautious with their donations, so it’s hard to separate the impact related only to the loss of the tax credits,” she said.

The Food Bank Council plans to look at the impact of the loss of the state tax credit over the next five years, she said, projecting that food banks and rescues will see a steady decline in gifts of those amounts.

“We’re hopeful the current administration would take a second look,” El-Amin said.

“I think they made this as a unilateral decision with the thought that there were too many tax credits, but they didn’t understand the impact it would have.

“We weren’t able to articulate it well enough before it was taken away.”

Public institutions such as the Detroit Institute of Arts, Detroit Public Television and WDET 101.9 FM said they couldn’t quantify any impact from the loss of the state tax credits, especially because giving for some of them has gone up over the same period.

The Coalition on Temporary Shelter in Detroit saw a decline of \$50,000 in gifts of \$200 and \$400 in fiscal 2012 and again in fiscal 2013 ended June 30, CEO Cheryl Johnson said in an email.

<http://www.craigslist.com/article/20131103/NEWS/311039986/survey-loss-of-state-tax-credit-hurt-donations>

Lansing State Journal

THE POWER OF KNOWING

MICHIGAN CHARITIES TAKE A HIT AS STATE SCALES BACK TAX BREAKS; ARE YOU GIVING LESS?

April 23, 2013

By Patricia Montemurri

At the COTS homeless shelter near downtown Detroit, there was no room Sunday night for 14 homeless people, including six children.

“We see that every day,” said Trish Dewald, COTS chief development officer. “If COTS closed its doors tomorrow, 760 people would be homeless and one-third would be children.”

Donations to COTS, also known as the Coalition on Temporary Shelter, were down 10% — or \$45,000 — between 2011 and 2012, as the agency copes with changes Gov. Rick Snyder and the Legislature made to state income tax laws that removed incentives for donating to homeless shelters, food banks and certain other nonprofits.

In 2011, COTS received 1,023 contributions between \$200 and \$400 — donations once eligible for a 50% Michigan tax credit. But in 2012, when no tax credit was available, donors in that category fell to 866 and accounted for a \$45,000 drop in donations.”

That’s “a significant sum of money for our agency,” said Dewald. “If you couple that decrease with the drop in state and federal dollars, as well as foundations tightening their belts, that is a very difficult climate for human service agencies.”

Michigan’s new tax laws have led to a significant drop in certain donations to nonprofits such as the Detroit Rescue Mission, Gleaners Community Food Bank and Detroit Public Television, among others. It’s unclear what the impact has been on public universities, which have also benefited from previous tax credits. But it’s clear that the shift in policy has changed how some people give.

Since they moved to Michigan from Oklahoma about 10 years ago, Michelle Kees and Toby Padfield gave \$400 annually to a Michigan food bank.

The couple wanted to help people less fortunate, while also claiming a \$200 Michigan tax credit.

When making charitable contributions in 2012, they considered how Snyder’s 2011 tax policy changes eliminated the tax breaks for donations to certain nonprofits. The couple skipped the food bank to increase a donation for pediatric brain cancer research, because their oldest son, Andrew, 7, had recovered from a brain tumor.

“I’m even embarrassed to say it,” said Kees, 40, of Livonia, a clinical psychologist at the University of Michigan. “When I became aware of the double-bang (Michigan) tax credit — how it helps them and helps me — we made sure to give to the food bank.”

“But now it got shifted.”

“When we moved here, I thought what a great way for the state to sponsor and encourage charitable donation,” said Kees. “I wish they would bring it back.”

The Food Bank Council of Michigan, which represents food banks across the state, said there's been an average drop of 29% in donations specifically of \$200; and a 47% decrease in donations of \$400.

"I think the donor who would normally donate the larger amount, just donated a lesser amount, because there wasn't that incentive," said Kareemah El-Amin, Food Bank Council of Michigan executive director.

WTVS Detroit Public Television also reports a drop from some categories of donors affected by the tax credit change, contributing to flat year-over-year giving, said Dan Alpert, senior vice-president for development and communications.

"We got calls that it was upsetting to have the Michigan tax credit go away," Alpert said. "The fact that we get calls shows people had questions — maybe whether to give or how much to give."

"There's no doubt about it. It matters to people," Alpert said. "Every little brick you take out of the wall makes the wall weaker."

Balancing Michigan's budget

In 2011, some 234,000 Michigan taxpayers claimed \$19.5 million in tax credits through donations to homeless shelters and food banks. Some 36,000 received tax credits for donations to community foundations, worth \$3.5 million in credits.

Similarly, about 258,000 received tax credits for donating to Michigan universities, public broadcasting and libraries. Those credits were worth \$23.8 million to Michigan taxpayers, but at a loss for the state.

Snyder said he needed to eliminate the tax credits to help balance Michigan's budget.

A spokesman for Snyder's office didn't directly address the impact on the affected nonprofits, but said the tax credit elimination was part of a plan designed to "create a more fair and simple tax system designed to put Michigan in position to compete in today's economy and create more and better jobs."

"The changes are already working as there are 156,000 more payroll jobs since January of 2011," said Caleb Buhs, a Snyder spokesman. "In addition, the state's budget has been stabilized, which has allowed for increased investments in education, public safety and economic development."

But donations to the Detroit Rescue Mission, said its CEO Chad Audi, are not stabilized.

The Detroit shelter's fund-raising dropped from \$6 million in 2011 to \$5.4 million in 2012, a 10% drop that Audi attributes to the tax credit's elimination.

Nixing the tax credit, said Audi, has made donors "not give us as much money as they used to."

"The tax credit has impacted our donations to be decreased, especially from the larger donations," said Audi. "We depend on people who donate to us. It will definitely impact the way they can allocate their dollars to helping the organization."

Donors change behavior

At a Pontiac shelter, Grace Centers of Hope, individual donations were down by 10% from 2011, said development director Michelle Atwell. That accounted for a \$150,000 drop in revenue, she said, which was made up for by an increase in thrift store sales and some new donors.

The Community Foundation for Southeast Michigan, which makes grants and works with nonprofits across seven counties, saw a 40% drop in donations to endowments for the 185 nonprofits with which they partner.

Affected organizations range from the Berkley Public Library to domestic violence shelter HAVEN in Oakland County to the Arab American Museum in Dearborn, said Theresa Fraley, the communications director for the foundation.

“That’s the behavior change among donors,” Fraley said.

Rob Collier, who leads the Michigan Council of Foundations, said donations are down 28% overall for community foundations across Michigan.

“Two community foundations got letters from donors that said because the state isn’t giving them a credit, they’re not going to give,” Collier said. “We anticipate that the drop will be more significant this year. There’s anecdotal talk that many folks made contributions this year, not realizing the credit was gone.”

Charities overall are looking at another possible tax hit. President Barack Obama, in the budget proposal he released earlier this month, advocated cutting the top federal income tax deduction on charitable contributions from 35% to 28%. For some donors, that would mean a \$280 tax credit for every \$1,000 donated, instead of \$350 now.

‘Other things matter, too’

Gerry Brisson, senior vice president for advancement at Gleaners in Detroit, said overall giving to the food bank was flat from 2011-2012.

After analyzing 65,000 donor contributions, he said, donations had dropped by \$300,000 specifically from individuals or couples who previously gave \$200 or \$400. Donations at those thresholds indicate the impact of the tax credit. But, taxpayers who donated \$500 or more — who would have still been entitled to a \$100 or \$200 tax credit depending on whether they filed as an individual or couple — actually increased their giving, Brisson said.

“The tax credit does matter to some people,” Brisson said. But “other things matter, too.”

“Some people in spite of having a good reason to give less, they didn’t. In fact, they gave more,” Brisson said. “I think that fundamentally people don’t give primarily for tax reasons. They want to give to make a difference and because they want to make somebody’s life better.”

<http://www.freep.com/article/20130423/NEWS15/304230019/tax-credits-charities-Michigan>

Lansing State Journal

THE POWER OF KNOWING

CHARITABLE DEDUCTIONS VITAL TO STATE, NATION

April 12, 2013
By Robert Collier

The president has now released his proposed budget putting a cap on charitable deductions — estimated to cost nonprofits nationwide \$5.6 billion in giving. In filing their tax returns, many Michiganders are learning the 20 years of Michigan Charitable Tax Credits are now history. And on April 24 we celebrate “Giving and Volunteering” at the state Capitol — recognizing that more than 87 percent of Michiganders report they give.

Why is this important? It is about jobs. One in 10 Michiganders works for a nonprofit, and individual givers are the largest source of financial support. Political leaders have said that Michiganders will continue to give. Yes, giving is an act of the heart, but how much we give is influenced by tax policies in Washington and Lansing.

For example, the 2012 loss of our Michigan Charitable Tax Credits has resulted in a reduction in giving to community foundations and food banks. For 20 years we, as families or individuals, have given \$400 or \$200 to our local community foundation or food bank and received a 50 percent state tax credit. The Johnson Center at Grand Valley State University has surveyed community foundations, and the Michigan Food Bank Council has surveyed its members.

Responding community foundations reported a 51 percent reduction in \$400 gifts — a loss of more than \$1 million. Kareemah El-Amin, executive director of the Food Bank Council of Michigan, shares that her members reported a drop of 47 percent in \$400 gifts. She adds, “This loss in giving means the loss of thousands of meals for hungry families.”

These examples are not good news when considering that 60 percent of Americans responding to a United Way Worldwide survey reported they will need to decrease their giving by 25 percent or more if the tax deduction is limited.

The president’s budget has arrived at the same time as a push for tax reform is under way, led by the House Ways and Means Committee Chairman Dave Camp and Ranking Minority Member Sander Levin — two great Michiganders who understand the value of a strong nonprofit sector. However, because of recent federal budget cuts, the pressure on nonprofits to fill gaps and do more is intense. Yet, many nonprofits will need to reduce their hours, reduce their staff, and reduce the opportunity to mobilize thousands of Michiganders who volunteer.

So here is my ask — the next time you see your state representative, state senator or a member of our congressional delegation, please remind him or her that:

- Individual givers and charitable foundations cannot replace government funding.
- The charitable tax deduction is not a loophole for the wealthy; the real beneficiaries are those served by the nonprofits that employ so many of our friends and neighbors.
- The charitable tax deduction is a model that other democracies around the world have modeled.

Yes, tough budget decisions need to be made in both Washington and Lansing. We already have lost giving by the loss of the Michigan Charitable Tax Credits. Much is at risk for our Michigan. Reducing or limiting the charitable tax deduction is not a solution.

And last but not least, thank you for giving and volunteering and do encourage everyone to join you. You, individually and together, make Michigan — “Pure Michigan.”

http://www.lansingstatejournal.com/article/20130412/OPINION04/304120019/Robert-Collier-Charitable-deductions-vital-state-nation?nclick_check=1