



Chair Ann Rest
Minnesota State Senate

Thursday, March 21, 2024

RE: S.F. 4653: Itemized deduction modification to exclude certain charitable contributions

Dear Chair Rest and members of the Minnesota Senate Committee on Taxes,

The Minnesota Council of Nonprofits writes today **neither in favor of nor in opposition to S.F. 4653. Rather, we write with gratitude to the committee** for considering the possible impacts of this legislation on charitable nonprofits in Minnesota and balancing that with the need for a fair and sustainable tax system.

As you know, tax law was changed in 2023 to accelerate the phase-down in value of state itemized deductions, which includes charitable giving. Our specific concern relates to the provision that for taxpayers with an Adjusted Gross Income over \$1 million, under the 2023 law, the value of their itemized deductions is reduced by 80%. We are concerned that this significant change could negatively impact charitable giving to nonprofits.

S.F. 4653 would exclude itemized charitable deductions from the phase-down on itemized deductions for taxpayers with AGI over \$1 million.

MCN Supports Charitable Giving Tax Incentives

We are concerned that the 2023 tax bill's significant reduction in the value of itemized deductions for wealthy Minnesotans could have a negative impact on nonprofit revenue by reducing charitable contributions by wealthy Minnesotans. Tax deductions for charitable contributions is an important part of the partnership between nonprofits and the state. Nationally, there is data that shows a positive correlation between charitable giving tax incentives and levels of individual giving.¹

MCN Supports a Fair Tax System

At the same time, MCN supports a fair tax system that raises the revenues needed to sustainably fund the public services that Minnesotans value. Often, the state delivers public services in partnership with nonprofits, who combine those public investments with other sources of funding, including individual charitable donations. This partnership creates programs that move Minnesota towards becoming a state where everyone can thrive.

Individual Contributions are Vital to Nonprofits

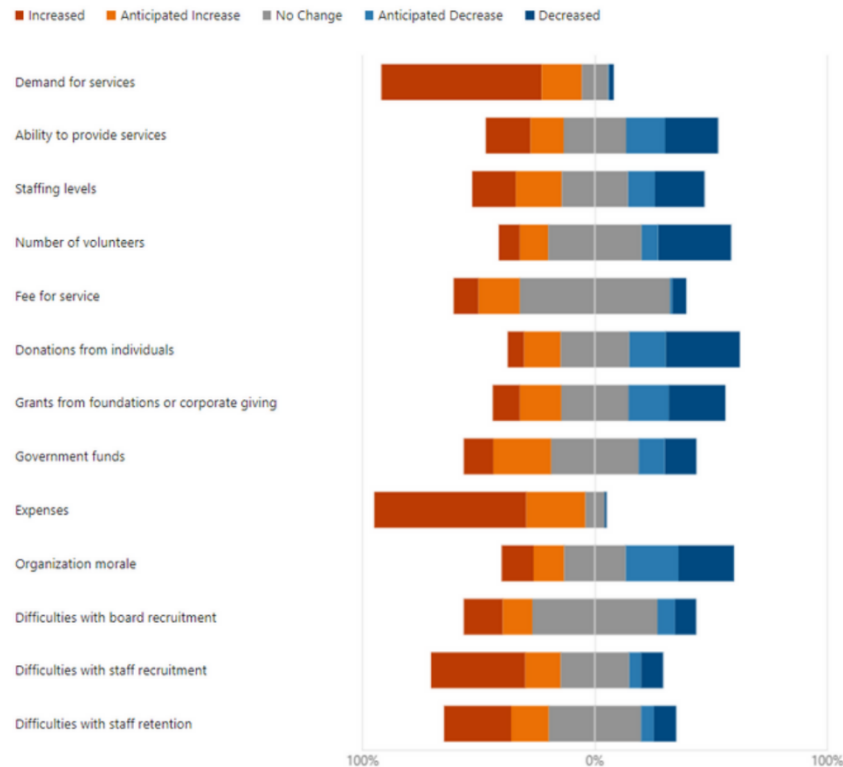
Millions of Minnesotans support nonprofits in their community through contributions of time and treasure, making a difference every day. Individual contributions are particularly valuable to nonprofits because those dollars are more flexible than foundation and government funds. Nationally, nearly 75% of service-providing nonprofits view donations from individuals as very important or essential to their work.²

¹ ["Charitable Deduction,"](#) Independent Sector, March 2024

² ["Nonprofit Trends and Impacts Study,"](#) Urban Institute, 2021

Nonprofits have been dealing with increased demands for services and rising expenses since the start of the COVID pandemic. In a recent survey from late 2023, 70 percent of responding Minnesota nonprofits stated that they have undertaken increased fundraising efforts, and yet over one-third reported decreased giving from individuals and grants from foundations.³

◀ ***In which of the following ways are current events impacting your organization?***



Again, we thank this committee for considering the potential impacts of the 2023 change on Minnesota nonprofits and the communities they serve. We recognize the balance required in creating a fair tax system and incentivizing charitable donations and appreciate the opportunity to work with you on finding that balance.

Sincerely,

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³ [“2023 Current Conditions of Minnesota’s Nonprofit Sector,”](#) Minnesota Council of Nonprofits, September 2023