



March 21, 2024

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

As the statewide association for Minnesota grantmakers, we care deeply about promoting charitable giving and supporting a strong nonprofit sector. We look closely at federal and state changes to the standard and itemized deductions, as they can have an impact on charitable giving incentives and behaviors. **Today, we are here in support of S.F. 4653, which would restore Minnesota charitable giving tax incentives impacted by changes made during the 2023 legislative session.**

According to MCF's most recent 2021 Giving in Minnesota report, **individual donors in Minnesota provide substantial resources to nonprofits.** In 2021, individuals in Minnesota donated \$5.61 billion to nonprofits, whereas philanthropic organizations contributed \$2.9 billion. This data highlights the generosity of individual Minnesotans, and charitable tax incentives are an important way to encourage giving and ensure nonprofits have the resources they need to help communities thrive.

Nationally, individual giving trends paint a concerning picture for nonprofits and the communities they serve. According to the Giving USA 2023 report, individual giving declined 13.4% after adjusted for inflation in 2022, only the fourth time that donations have fallen in the last 40 years. The same report found that charitable giving as a share of personal disposable income dropped to 1.7% - a near 30 year low. According to the Fundraising Effectiveness Project Q4 2022 Report, a decline from 'supersize' donors, those contributing more than \$50,000, is responsible for almost half (48.3%) of the overall decline in giving.

These giving trends are happening at a time of growing demand for services and rising expenses for nonprofits. **The 2023 tax law substantially reduced the value of itemized charitable deductions for those with the resources to make the largest contributions, in particular those with an Adjusted Gross Income over \$1 million.** We are concerned that this tax change will only further exacerbate downward giving trends, ultimately hurting nonprofit bottom lines and negatively impacting communities.

By excluding charitable giving from the accelerated itemized deduction phase-down that was passed in 2023, Minnesota would be preserving the state's charitable giving incentive, ensuring that nonprofits can continue to rely on individual donors at all income levels to contribute to causes that lead to a thriving and equitable state.

Thank you for your consideration of S.F. 4653.

Sincerely,

Katina Mortensen
Minnesota Council on Foundations
(612) 335-3597
kmortensen@mcf.org

The Minnesota Council on Foundations is the statewide association of grantmakers, representing 150+ foundations across the state that collectively provide nearly three billion dollars to nonprofits annually.