

## HB1761 (Zalewski) / HB5401 (Hammond) / SB2052 (Aquino): Endow Illinois SUPPORT

### SUMMARY<sup>1</sup>

Endow Illinois leverages a generational opportunity for all Illinois communities by incentivizing charitable giving specifically to Community Foundations by Illinois taxpayers at all income levels. By authorizing a state income tax credit for 50% of gifts to community foundation permanent endowments, this bill will dramatically increase the resources available to Illinois nonprofits and those they serve, statewide and in perpetuity.

### EQUITY NOTE

The bill stipulates that taxpayers at all income levels are eligible with one exception: very large businesses (gross receipts >\$50,000,000) are not eligible for this tax credit. There is no minimum gift amount required to be eligible for the tax credit. At least 10% of the total tax credits available in one tax year would be reserved for small individual gifts (up to \$30,000 each) and no single taxpayer could receive more than 5% of the state's total credits. Further, no more than 25% of the credit may go to any one community foundation, making it available statewide in rural and urban communities.

### PROPOSED CHANGES

Endow Illinois would create the Endow Illinois Tax Credit Act and authorize an income tax credit to any Illinois taxpayer that contributes to a permanent endowment that **benefits charitable causes in this state** only, and is administered by a qualified community foundation in Illinois.<sup>2</sup> Tax credits would be equal to 50% of the gift; the total credit available statewide would phase in over three years (capped at \$10M in year 1, \$25M in year 2, then capped at \$50M in year 3 and thereafter). A wait list would be generated for requests once the cap is reached and rolled forward into the next tax year, prioritized by date of application. Unspent credits for small gifts, if any, would accrue into total available for small gifts in the next year. The credit may not be carried back and is not refundable, but it may be carried forward up to 5 years if the credit exceeds a taxpayer's liability in the year it is awarded. A public report summarizing credits requested is due annually on 6/1 and 12/1, and an annual report to the Governor and legislature is due 1/31. House Committee Amendment 1 on HB5401 makes necessary technical improvements and is supported by stakeholders. A further amendment may be proposed to improve the bill.<sup>3</sup>

### RATIONALE

Endow Illinois is a response to the "[Transfer of Wealth Opportunity](#)" report (2021), which found that \$434 billion in household wealth will be passed down from Illinois baby boomers to the next generation by 2030. This transfer will accelerate until 2040, at which time the next generations will possess the household wealth in Illinois. **Let us miss this generational opportunity, the best time to enact Endow Illinois is now** to incentivize local charitable giving so a portion of this \$434 billion is invested in Illinois' communities; otherwise, this vast sum may transfer to heirs that live elsewhere and/or invest it outside of Illinois. Endow Illinois has the potential to leverage \$100 million in charitable giving every year across the state. It is modeled after other Midwestern states' best practices.<sup>4</sup> Philanthropy is one of the legs that balances the stool of healthy democracy, and community foundations are increasingly vehicles for democratic giving. They have deep roots in, and knowledge of, their communities. Throughout COVID, community foundations were nimble and responded quickly to their communities' unique needs; CFs outside of Chicago rapidly stewarded \$~5 million through the IL COVID Fund in addition to their normal activities. **Illinois has ~40 community foundations, blanketing the state, providing access for taxpayers to receive this tax credit in every county.** Community foundations in Illinois make grants to tens of thousands of nonprofit organizations every year; bolstering their ability to do so will benefit communities for generations to come.

<sup>1</sup> For more information, contact: Holly Ambuehl (Forefront, [hambuehl@myforefront.org](mailto:hambuehl@myforefront.org)) or Louise Stewart (Alliance, [wegi@allianceilcf.org](mailto:wegi@allianceilcf.org)).

<sup>2</sup> Family foundations are not eligible. A Donor Advised Fund is eligible only if the fund agreement establishes it as a permanent endowment.

<sup>3</sup> For example, Iowa is considering revising their \$600,000 per donor limit to \$100,000. Illinois stakeholders support the consideration of an individual limit for eligible gifts as well; the current bills in Illinois do not include a limit.

<sup>4</sup> See [Endow Iowa](#), which has leveraged over \$300 million in charitable giving and has a one-year plus wait list. In 2020, 96% of donors under Endow Iowa gave less than \$30,000 ([2021 report](#)). Also see [Endow Kentucky](#).