

Written Statement: Testimony

Re: HB5817 - Subject Matter, House Revenue and Finance 10/18/22

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Thank you, Mr. Chairman and committee members. I am Holly Ambuehl, Director of Policy and Government Affairs for Forefront. Forefront is Illinois' statewide membership alliance for the nonprofit and philanthropic sectors and represent a sector that makes up 11% of our state's economy. We have 1,000 member employers and advisors across the state and are working to advance economic security and racial equity in everything we do. Forefronts supports Endow Illinois in close partnership with community foundations across the state, many of whom are among our members. Mr. Tony Martinez, who spoke previously, serves on our Board of Directors, and other community foundations are presented on our various stakeholder communities. HB5817 has already garnered solid bipartisan support, and we are grateful to all the sponsors for their endorsement. I am here today to respectfully ask all our legislators to support and enact the Endow Illinois Tax Credit and can help answer any questions about the bill. We know that tax policy can heavily influence charitable giving, and that conversely, without charitable giving incentives, fewer folks are giving in recent years. Currently, there is no universal deduction available to non-itemizers at the federal level, nor are there any state charitable tax credits or deductions in Illinois. At least 14 states have a charitable deduction of some kind, including for example Iowa, Maryland, Virginia, Vermont, and Arizona; at least three states have programs are very similar to the Endow Illinois proposal and experience high demand for the credit. In addition to supporting charitable giving overall, Forefront cares about the Endow Illinois proposal for three reasons.

1) This is real money that will go somewhere, and we think some of it should stay in Illinois. Endow Illinois is a direct policy response to the "[Transfer of Wealth Opportunity](#)" report that AICF and Forefront published in 2021. This report estimates that \$434 *billion* in household assets will be passed down from Illinois baby boomers to the next generation by 2030. This transfer will accelerate until 2040, by which time the next generations will manage all the household assets in Illinois. Lest we miss this generational opportunity, the best time to enact Endow Illinois is *now*. Endow Illinois creates an incentive to ensure that at least a portion of the \$434 billion wealth transfer is invested in Illinois' communities. Without this incentive, all of these dollars may transfer to family members that live in other states or that choose to invest it outside of Illinois. Establishing the Endow IL tax credit will ensure we have more resources to address urgent community needs within our state.

2) It's designed to be administratively simple and financially feasible but will greatly benefit the entire state. Not only will donors benefit, but nonprofit 501c3s across Illinois and the communities and families they serve will benefit from this tax credit. There are roughly 40 community foundations in Illinois, and they make grants to tens of thousands of nonprofit organizations every year. By limiting the tax credit to the relatively small number of community foundations in Illinois, the administrative burden for the state should be limited. Yet, any 501c3 may build an endowment at a community foundation or benefit from their general grant-making, including health and human services, arts, environment, museums, and scholarship and student debt repayment programs. The total credit available statewide would be capped by year three at \$50 million, a modest amount in comparison to existing tax credit programs. The first tax year impacted is 2024, which means there is no impact to the FY23 budget year.

3) Accessible philanthropy is part of a healthy democracy. Taxpayers at all income levels should be able to participate in philanthropic giving and support causes they care about, not just the wealthiest among us. The bill has parameters to ensure all income levels can tap the tax credit. Additionally, the bill requires the resources to be distributed around the state geographically, to ensure rural communities benefit as well. Once enacted, Forefront will continue to help implement the to ensure it implemented equitably statewide. We will work with our extensive statewide network, AICF, financial advisors, and other key stakeholders to ensure that communities and People of Color benefit from Endow Illinois.

In conclusion, I invite you to **imagine what's possible when Endow Illinois becomes law**. Tax credits would be equal to 50% of the charitable gift, which means that Endow Illinois will leverage up to \$100 million in *annually* charitable investments in Illinois. Imagine what is possible after ten years, when we've invested a *billion* dollars in charitable giving through this tax credit. By then, the annual grant-making from endowments will far exceed the \$50 million impact to the state's annual budget. Thank you for your consideration. I am happy to answer any questions.