

## Illinois Gives Tax Credit Act - FAQ

### HB4951 / Public Act 103-0592, Article 170

1. **What is the IL Gives Tax Credit Act?** The Illinois Gives Act creates, for the first time, a nonrefundable 25% state charitable income tax credit at a total cost to the state of only \$5 million per year. Donations through this program can support general operating, program, and/or capital endowments for charitable causes and nonprofit employers. It's intended to create a permanent, stable, predictable source of funding for nonprofits to help mitigate the volatility they experience from other public and private sources; plus, it offers tax relief to those who do not itemize their taxes. IL Gives Act will leverage \$4 private dollars for every \$1 the State invests. Public reporting requirements will ensure accountability and transparency.
2. **Doesn't Illinois already have a charitable tax credit?** No, neither the state nor federal government have a charitable tax deduction or credit available to all taxpayers at this time. The federal government used to have a universal charitable tax *deduction*, but that ended when the standard deduction was raised and itemized deductions were eliminated via the Trump Tax cuts in 2017. Taxpayers currently can only get a federal tax deduction if they itemize their federal taxes, and only about 10% of taxpayers in Illinois itemize their taxes.
3. **How many other states have charitable tax credits?** We know of 15 (AZ, ID, IA, KY, MD, MA, MI, MO, MT, ND, OK, OR, VT, VA, WV) and we can provide more details upon request.
4. **Who supported and opposed the IL Gives Act?** Key supporters include Forefront, which is the statewide nonprofit association, Alliance of Illinois Community Foundations, Jewish United Fund, and Illinois Collaboration on Youth. Also see hundreds of witness slip filers on SB172 / HB1241 (103<sup>rd</sup>), HB1761 (102<sup>nd</sup>) and HB5817 (102<sup>nd</sup>) who supported the IL Gives Act. There was no active opposition to the underlying bills as they moved through the General Assembly. The proposal was heard in committee six times since 1/1/22 and was thoroughly vetted by IL Department of Revenue (IDOR). Finally, voters support this kind of tax policy. A recent [Independent Sector poll](#) found that 87% of voters support restoring the federal charitable deduction, and 53% of respondents said they'd give more to charity if they were able to claim a charitable deduction for it.
5. **Why do we need this charitable tax credit in IL?** Data show that charitable tax incentives increase both the *number of people* that give, and the *amount* that individuals give. That's important, because in 2002, 67% of American households made charitable contributions; today, only half do.<sup>1</sup> In 2022, charitable giving experienced the largest year-over-year decline (10%) and only the 3<sup>rd</sup> such decline since this data has been collected.<sup>2</sup> Meanwhile, demand for services and costs are up. In the Federal Reserve's latest survey of entities serving low- to moderate-income communities, 70% of responding nonprofits reported an increase in demand for services over the past year, while only 45% said they can meet most of their demand.<sup>3</sup> The National Council of Nonprofits conducted a nationwide survey that showed that 7 out of 10 nonprofit leaders anticipate charitable donations to decrease or remain flat this year. In a 2023 Forefront Survey, 1/3<sup>rd</sup> (29%) of operating nonprofits reported fewer donors, and over 1/5<sup>th</sup> (22%) reported smaller average gifts. Nonprofit employers need more unrestricted and predictable sources of revenue for higher wages, professional development, benefits, and capital projects. Capital funding for nonprofit businesses is extremely limited. IL Gives Act offers a mechanism for any nonprofit to accrue assets for such purposes, which will help address gaps, unpredictability, and untimeliness in public funding. Finally, charitable giving

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<sup>1</sup> See "Donor Participation" in [Giving Dashboard](#), Urban Institute, updated Dec. 2, 2022.

<sup>2</sup> [Quarterly Fundraising Report](#), 2022 Year-to-Date Nonprofit Sector Trends, Fundraising Effectiveness Project, April, 2023.

<sup>3</sup> [Perspectives from Main Street](#), Nishesh Chalise, Violeta Gutkowski, and Heidi Kaplin, Fed Communities, Nov. 15, 2022; Consumer Price Index News Release, U.S. Bureau of Labor Statistics, May 10, 2023.

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and charitable tax incentives are an economic development tool: every \$1 of universal charitable giving tax benefit delivers ROI of \$2.50 to communities.

6. **Which taxpayers are eligible to receive the credit?** Any Illinois taxpayer, including individual and joint filers, corporations, partnerships, trusts, and estates can make an eligible gift to an eligible institution.
7. **Are there limits or caps on the credit?** Yes. The cost to the State is capped at \$5 million. The maximum tax credit per filer is \$100,000, but to get that tax credit, you'd have to donate \$400,000 because it's a 25% credit. Not many taxpayers will give at this level, but a few might, such as estates. If estates want to transfer assets to a permanent community fund, rather than holding onto it themselves or sending it to another state, we don't want to discourage them from doing so. However, based on what happens in other states, we expect between 60-90% of gifts to be small (<\$1,000). The program also is limited to supporting causes and programs in Illinois and cannot be used to support causes in other states; this keeps Illinois dollars circulating in the Illinois economy. Finally, the program will sunset after 5 years (at the end of 2029) unless it is extended beyond that date by the General Assembly.
8. **Is IL Gives equitable?** Creating a non-itemizer charitable tax credit makes the IL tax code more equitable. Itemizers are more likely to be wealthy and White households compared to all taxpayers. That isn't fair, since we know people at all income levels give generously, but only a few get rewarded. Additionally, the Illinois Gives Act reserves 25% of the total credits statewide for gifts that are less than \$25,000, to ensure that the average person can participate. IL Gives also caps the amount any one community foundation may receive at 15% of the total, which is intended to ensure that rural areas and areas with less community wealth are able to benefit. Finally, Forefront is committed to helping inform stakeholders that have historically not benefitted from our tax policy about this opportunity. This includes marketing the tax credit opportunity for donors to communities of color and also coaching organizations led by and serving communities of color about how to establish an endowed fund and build up their revenue through this program. We knew this is needed, because in 2023 Forefront survey, organizations led by Persons of Color were more likely to experience a decline in individual donors (38%) compared to 23% overall. They were also more likely to report significant decreases in both the # of donors and the size of donations among all types or organizations.
9. **Are ALL charitable gifts to ANY charitable organization eligible for this tax credit?** No. Only gifts to non-DAF permanent endowments at community foundations are eligible to get the state tax credit (until we reach the statewide cap of \$5M). Gifts to private and family foundations are not eligible for this tax credit. This is a very targeted program on purpose, to help control cost and administrative simplicity for the State. Further, by restricting eligibility to non-DAF endowments, we'll create a permanent and predictable funding source for nonprofits that lasts in perpetuity and can compound and increase over time, while also maximizing community control and transparency. In this way, the State can rest assured its investment will continue benefitting nonprofit employers and their clients, forever, even if the program sunsets after 5 years. Tax-credit eligible gifts to endowed community foundation funds may support 1) specific organizations (i.e., housing provider, health clinic, ecology action center, house of worship, etc.), 2) specific areas of interest (arts, humanities, health, human services, museums, environment, racial justice, advocacy, education, Jewish life, scholarships, etc.), 3) unrestricted funds that make grants to a variety of organizations, and/or 4) scholarship funds (for in state students and institutions, including "post-graduation scholarships" such as those authorized by the Workforce Development Through Charitable Loan Repayment Act). The law requires that eligible funds must support programs and recipients IN ILLINOIS. This program keeps Illinois dollars recirculating in Illinois and benefits Illinoisans.

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10. **What is a Community Foundation and how many are there in IL?** Community foundations are 501c3 public charities. They are not defined in federal law but can be certified to meet [national standards](#), which is required for participation in this program. Community foundations are place-based grant-makers (i.e., a defined service area such as neighborhood, municipality, or county, or more than one of these). That makes them different than *private* foundations, who are not always place based and are not public charities. Further, and more importantly to Illinois Gives Act, community foundations exist to manage charitable endowments and funds that benefit other organizations. Community Foundations pool and invest eligible gifts. This creates an efficiency and compounding effect for operating nonprofits that may not have the expertise or capacity to do so on their own. Community foundation endowments fund grantmaking to “fields of interest,” specific nonprofit agencies’ general operating or capital needs, and/or annual competitive grantmaking to multiple local nonprofits. [There are a few dozen community foundations in IL](#) that blanket the entire state and serve every county and legislative district. In addition to the ones on the linked map, there may be other institutions that can become eligible for this program, *if* they demonstrate that they substantially comply [with national standards](#) (e.g., Jewish United Fund, some United Way chapters). The main criteria would be having expertise managing charitable endowments for other organizations and meeting rigorous accountability standards, not simply having the words “community foundation” in the name.
11. **How much of the statewide total will go to any single legislative district or community?** At its maximum potential, this may generate \$3 million in additional private donations *per year* for any single community foundation. Especially in rural areas, this can make a sizeable difference.
12. **Can a taxpayer get a federal charitable deduction and IL Gives Tax Credit on the same dollar?** For individual taxpayers, yes. For other types of taxpayers (i.e., corporations, partnerships, estates, and trusts), no. The starting point for calculating IL state income taxes is the federal Adjusted Gross Income (AGI). For individuals, on the [Form 1040](#), itemized deductions such as the federal charitable deduction are subtracted on the federal return on line 12, after calculating the AGI on line 11. Thus, an individual can in fact take both an itemized federal charitable deduction and an IL Gives Tax Credit on the same gift, without increasing the cost to the state. This double incentive will be a powerful tool to generate more individual giving. But, the same does not apply to corporations, partnerships, estates, and trusts. The new law corrects for this to ensure that the state doesn’t take a double hit on charitable gifts from those taxpayers.
13. **How will the IL Gives Tax Credit program actually work?**
- On or after 1/1/25, IL taxpayers can make gifts to eligible funds at eligible community foundations in IL
  - Community foundations will ensure donors know about tax credit and help with application as needed
  - IDOR and community foundations will ensure taxpayers receive necessary paperwork to claim the state income tax credit when they file taxes, which will first occur in early 2026 for the 2025 tax year
  - Community foundations will pool, invest donors’ gifts in non-DAF endowed funds
  - Endowment earnings help fund annual grant making for fields of interest and organizations
  - The amount available for grants may grow every year as additional tax-credit eligible gifts are made and compound
  - Endowed dollars will last in perpetuity
  - Charitable causes and employers have a reliable and predictable source of revenue

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