



April 3rd, 2025

Shannon Douvier
Executive Director

Jo Musel Parr
*Field and Organizing
Services Director*

Brenda Weller
Finance Director

Troy Bauch
Field Director

Kate Black
Field Director

RE: Support of HF2591

Dear Co-Chair Gomez, Co-Chair Davids, and Members of the House Taxes Committee,

AFSCME Council 65 represents 14,000 public service workers across greater Minnesota. Our members work in cities, counties, schools, and hospitals providing the vital services that make our communities safe, vibrant, and healthy.

AFSCME 65 strongly supports HF2591, which would help offset potential federal funding cuts on Medicaid. According to a report from Congress's Joint Economic Committee, more than 15% of Minnesotans rely on Medicaid. According to the same report, if funding to Medicaid is cut at the level we anticipate, 89,000 rural residents would lose their health coverage and more than one in six seniors would lose their nursing home care.

The workers we represent, their families, and their communities would be devastated by these cuts. It would prompt hospital, clinic, and nursing facility closures, making already challenging access to care in rural Minnesota even worse. The job loss caused by these closers would lead to even greater economic instability in these areas.

The proposed cuts to Medicaid funding would disproportionately affect those who can afford it the least. HF2591 would work to offset these cuts by making the wealthiest among us pay their fair share. We urge you to support this bill.

Shannon Douvier
Executive Director

American Federation of State, County and Municipal Employees, AFL-CIO

TEL (218) 885-3242 **FAX** (218) 885-3245 **TOLL FREE** (888) 474-3242 **WEB** www.afscme65.org

3335 West St. Germain Street, Suite
St. Cloud, MN 56301



380 St. Peter St., Ste. 750
St. Paul, MN 55101

651-293-1283
NFIB.com/MN
Twitter: @NFIB_MN

April 3, 2025

House File 2591 (Gomez)

Co-Chairs Gomez and Davids, and House Taxes Committee Members -

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses across Minnesota. Our mission is to promote and protect the rights of our members to own, operate, and grow their businesses.

NFIB opposes HF 2591, which would create a contingent 5th-tier individual income tax rate to be determined by the Department of Revenue. Such an increase would have a negative impact on small employers and the local communities that rely on the steady, good-paying jobs that they provide.

Many small businesses are structured as pass-through entities, with their business income taxed at the individual level. The introduction of a 5th-tier income tax rate would place a heavier tax burden on these local job creators, which would discourage investment, slow hiring, and make it more difficult for small businesses to compete and thrive in an increasingly competitive market.

A recent NFIB survey shows that small business optimism is on the decline and uncertainty is rising. 12% of small business owners reported that it is a good time to expand their business, and only 15% of owners plan to create new jobs in the next three months. The creation of a contingent 5th-tier individual income tax rate would further contribute to this economic uncertainty and would impair the ability of small businesses to invest in and grow their businesses in Minnesota.

We respectfully request that you oppose House File 2591.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Boesche".

Jon Boesche
Minnesota State Director
National Federation of Independent Business
jonathan.boesche@nfib.org



April 3, 2025

Dear Members of the House Taxes Committee:

The Minnesota Chamber of Commerce represents over 6,300 businesses of all sizes and industries and over 500,000 employees in Minnesota. We advocate for public policies to strengthen Minnesota's business climate and to help grow Minnesota's economy.

Today is Chamber Day at the Capitol and I extend my apologies for not being able to provide in-person testimony on this proposal. However, I appreciate the opportunity to share our thoughts on Chair Gomez's House File 2591 in writing.

The bill seeks to address a potential shortfall in federal Medicaid funding, which at this point is unknown both in terms executive or congressional action and actual state financial impact. Imposing a new, 5th tier individual income tax to address this as yet undefined federal funding shortfall has the potential to significantly increase taxes on Minnesota businesses and costs for Minnesotans. In doing so, it would undermine Minnesota's economic competitiveness by making our tax environment even less attractive for businesses and harm talent recruitment and retention, especially as employees have more flexibility than ever in choosing where to live and work.

The vast majority of businesses in this state pay taxes through the individual income tax. A number of these businesses could face substantial tax increases under this bill. Minnesota's real GDP growth has already lagged behind the national average for most of the past decade. This bill has the potential to further weaken state GDP growth by exacerbating Minnesota's tax competitiveness problem.

Minnesota currently has the 6th highest top income tax rate in the country and the workforce has never been more mobile. Employees and businesses have choices, and increasing Minnesota's already high tax rates would put us at a clear disadvantage. Since 2021, 26 states, governed by Republicans and Democrats, have cut individual income taxes, corporate incomes taxes, or both. Minnesota, by contrast, risks falling further behind simply by maintaining our current rates, let alone raising them.

Thank you to Chair Gomez, Chair Davids and Committee Members for your consideration of our views.

Brian Cook
Director of Tax, Fiscal Policy, and Elections



April 3, 2025

The Honorable Aisha Gomez
Minnesota House of Representatives
Centennial Office Building
St. Paul, MN 55155

Chair Gomez and Members of the House Tax Committee,

Thank you for the opportunity to submit comments on behalf of the Minnesota Business Partnership (MBP) regarding House File 2591. The MBP represents more than 100 business leaders and top executives who collectively employ nearly 500,000 Minnesotans.

We strongly oppose HF2591, which would establish a fifth-tier income tax bracket and grant the Commissioner of Revenue the authority to set its rates. Rather than implementing punitive tax policies that penalize Minnesotans for federal-level decisions, our state should prioritize policies that promote economic growth and competitiveness.

We urge you to oppose this bill and instead support legislation that fosters economic expansion, strengthening both our tax base and Minnesota's long-term prosperity.

Sincerely,
Gavin Hanson
Fiscal and Economic Policy Director
Minnesota Business Partnership



MINNESOTA BUDGET PROJECT

An initiative of
the Minnesota Council
of Nonprofits

April 2, 2025

Representative Greg Davids
Centennial Office Building
658 Cedar St.
St. Paul, MN 55155

Representative Aisha Gomez
Centennial Office Building
658 Cedar St.
St. Paul, MN 55155

Dear Co-Chairs Davids and Gomez and Members of the House Taxes Committee:

The Minnesota Budget Project supports enacting a new “5th tier” income tax bracket focused on the highest-income households as a component of a fair tax system that sustainably raises the resources needed to fund the services Minnesotans value and count on.

Raising revenues to protect Minnesotans’ access to health care must be part of the response to federal Medicaid cuts.

More than one million Minnesotans get the health care they need because of Medicaid. Medicaid helps ensure that our elders can live safely at home, and our neighbors with disabilities have the health care services they need to live full lives. Medicaid is the affordable health care option for folks who may be between jobs, or who work in low-paid jobs and cannot afford to pay for health insurance in the private market.

Federal policymakers have passed budget frameworks that threaten Minnesotans’ ability to get health care. Those at risk include babies, pregnant people, children, students, adults with low incomes or who are out of work, people with disabilities, and seniors in nursing homes or getting supports at home.

We call on Minnesota state policymakers to do everything in their power to prevent the draconian federal Medicaid cuts under consideration from being enacted into law. But our state must also start planning to protect Minnesotans’ health and economic well-being in the face of these incredibly serious threats.

Please see the attached fact sheet from the Center on Budget and Policy Priorities that describes how federal proposals under consideration would cause Minnesotans to lose their health care and shift costs to the states.

Raising revenue by creating a new income tax bracket on the highest-income households is a strategy Minnesota has successfully used before. In 2013, Minnesota passed a 4th tier in a progressive tax package that ended a decade of frequent budget deficits, and funded investments in education from our youngest learners through college, and other crucial public services. Despite concerns that some had, the number of high-income Minnesota taxpayers grew after the 4th tier was enacted.

It makes sense for those with the most resources to contribute more in order to build a stronger future for our state. A new 5th tier income tax bracket focused on the highest-income households is a targeted policy to achieve that goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Nan Madden", with a long horizontal flourish extending to the right.

Nan Madden
Minnesota Budget Project Director

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, identifies and promotes public policies so that economic security is available to all Minnesotans, regardless of who they are or where they live.

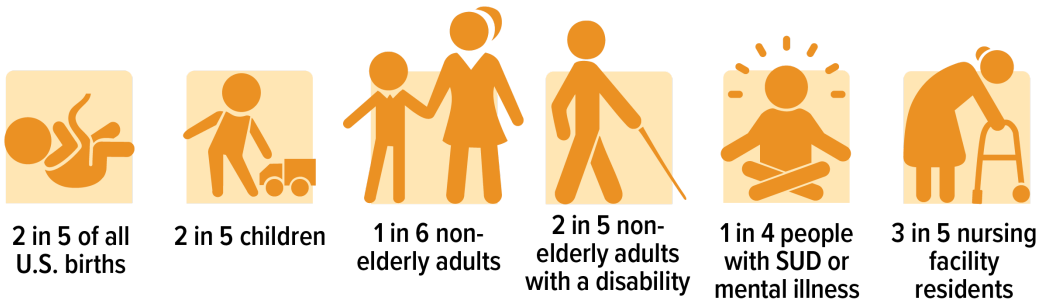
Republicans in Congress Are Considering Harsh Medicaid Cuts That Would Shift Costs to Minnesota and Leave People Uninsured

Congressional Republicans are targeting Medicaid for huge cuts that will make it harder for people to afford and access health care as they push for budget legislation that cuts taxes for the wealthy. The ideas they are considering are harmful both in the magnitude of cuts — hundreds of billions of dollars nationwide — and because they would cause people to lose health coverage and shift massive costs to the state.



Medicaid Helps Keep People Healthy at All Stages of Life

Medicaid covers:



Note: Children are aged 0-18. Non-elderly adults, including those with a disability, are aged 19-64. The category of people with a SUD (substance use disorder) or mental illness applies to those aged 18-64.

Source: CBPP, "Medicaid Threats in the Upcoming Congress"

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Among the Medicaid cuts being considered, individually or in combination, are:

Terminating health coverage for people not meeting a work requirement

Nearly all — 92 percent — of non-elderly adults enrolled in Medicaid work for pay or would likely qualify for work requirement exemptions due to having a disability, caring for family members, or attending school.¹ Yet some Republicans are pushing to cut Medicaid by taking away coverage from people who do not meet a work requirement. In Minnesota, 436,000 people would be at risk of losing coverage under one version of this proposal. Even a narrower version of the policy (which would apply only to people enrolled through the Affordable Care Act's Medicaid expansion) would put an estimated 221,000 people at risk in Minnesota.

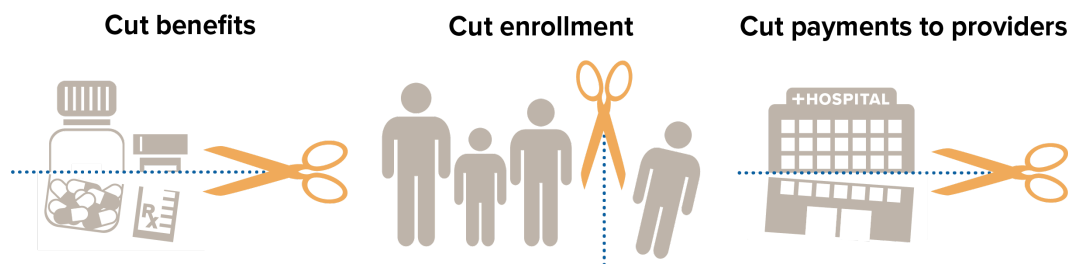
Capping federal funding to states

Some Republican lawmakers want to establish a "per capita cap," meaning the federal government would pay a fixed amount of funding per enrollee and leave states responsible for all remaining costs. In Minnesota, that could mean a cost shift of between \$14 and \$23 billion from 2026 to 2035, or an increase in state Medicaid costs of between 12 and 20 percent to offset reduced federal funding.²

Faced with federal cuts of this size, Minnesota could cut people from Medicaid to reduce enrollment, roll back benefits considered “optional” under Medicaid — such as home- and community-based services for seniors and people with disabilities — or shrink payment rates to health care providers. Other lawmakers have proposed a per capita cap for only the expansion population, which would shift between \$1.26 and \$3.32 billion to Minnesota from 2026 to 2034 — increasing Minnesota’s cost for expansion by 41 to 108 percent over that period and similarly jeopardizing coverage for 221,000 people currently enrolled in Minnesota’s Medicaid expansion.

How Capping Federal Medicaid Funds Would Affect State Budgets

States really only have three ways to cut costs to Medicaid:



CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Reducing federal funding for Medicaid coverage of low-income adults

Many Republicans in Congress have proposed reducing the current federal match for the the Medicaid expansion from 90 percent to the state’s regular match rate, which is currently 51 percent. Under this policy, the federal government would shift \$1.12 billion in costs to Minnesota (for 2025). This would increase state Medicaid expansion costs by 388 percent, if Minnesota maintains coverage for the expansion population. Or, the state could end coverage for low-income expansion adults or reduce Medicaid benefits, eliminating or diminishing coverage for up to 221,000 Minnesotans in the expansion group.

Republicans are also considering other policies that would shift costs to states and lead to harmful cuts at the state level. For example, they could restrict states’ use of provider taxes, which would result in Minnesota losing a key source of funding that supports payments for providers and access to needed health coverage and care for eligible people in Minnesota.

¹Jennifer Tolbert et al., “Understanding the Intersection of Medicaid and Work: An Update,” KFF, February 4, 2025, <https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work-an-update/>.

²John Holahan et al., “Imposing Medicaid Per Capita Caps and Reducing the Affordable Care Act’s Enhanced Match,” Urban Institute, February 27, 2025, <https://www.urban.org/research/publication/imposing-capita-medicaid-caps-and-reducing-affordable-care-acts-enhanced-match>.