



March 22, 2021

Representative Paul Marquart  
Chair, House Taxes Committee  
597 State Office Building  
St. Paul, MN 55155

Dear Chair Marquart and House Taxes Committee members:

The Minnesota Budget Project strongly supports enacting a new “5<sup>th</sup> tier” income tax bracket focused on high-income households.

Raising progressive revenue by creating a new income tax bracket on high-income households is a strategy Minnesota has successfully used before. In 2013, Minnesota passed a 4<sup>th</sup> 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. Despite concerns that some had, the number of high-income Minnesota taxpayers is larger today than before the 4<sup>th</sup> tier was enacted.

This is a direction supported by a majority of Minnesotans. In a survey conducted in late 2020/early 2021, Data for Progress found that 67 percent of Minnesotans support raising income taxes on high-income households.

**Revenue increases are needed to build a more equitable recovery**

It is still urgent and necessary to address the disparities and disinvestment that existed before the pandemic, from the shortage of affordable housing, the need for broadband access and affordable child care, to barriers limiting opportunities for Minnesotans of color. It makes sense for those with the most resources to contribute a bit more in order to build a more equitable future for our state.

The state’s budget situation improved in the recent February Forecast, but revenues are still below what was projected in February 2020. It’s also the case that the state’s budget improvements are largely short-term; there is a structural deficit in FY 2024-25 when the impact of inflation is taken into account. And the forecast measures against a status quo budget that does not include what it takes for all Minnesotans to thrive.

Direct state aid from the American Rescue Plan is good news, but those resources are temporary and cannot be a substitute for sustainable new revenues.

We can't go "back to normal" to a status quo budget that left out too many of our Minnesota neighbors. A new 5<sup>th</sup> income tax bracket focused on the highest-income Minnesotans would be a good step forward to fund sustainable investments in shared prosperity.

Sincerely,

Nan Madden  
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.*