



**February 13, 2025**

Dear Members of the House Tax Committee:

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

We urge your support for HF 170 (Davids) which would phase out the state's income tax over a 10-year period.

Minnesota's high tax burdens continue to rank as a top barrier to investment and economic growth in Minnesota, according to Minnesota employers. Minnesota's corporate income tax rate is the second highest in the nation at a flat 9.8% and the individual income tax rate impacting both employees and pass-through businesses is 6th highest at 9.85%.

In addition to these topline rates, Minnesota is one of only 12 states with an estate tax. This tax hits many family businesses and farms that may have a high value but also have assets that are not liquid, so paying taxes can become a serious problem. The estate tax - plus the high individual income tax - creates an unfortunate incentive for financially successful Minnesotans to change their residency which results in a loss to our communities, our tax base, and our economy. While it can be somewhat volatile, it's important to note that the estate tax is not a major source of revenue for the state, making up less than 0.75% of state tax collections in Fiscal Year 2022. The 10-year phaseout also provides the Legislature with time to revisit the issue as budget circumstances change.

We urge your support of this bill which would make Minnesota less of a tax outlier.

Sincerely,

Brian Cook  
Director of Taxes, Fiscal Policy, and Elections