



## MINNESOTA BUDGET PROJECT

An initiative of  
the Minnesota Council  
of Nonprofits

May 10, 2019

**Representative Paul Marquart**  
Minnesota House of Representatives  
597 State Office Building  
St. Paul, MN 55155

Senator Roger Chamberlain  
Minnesota Senate  
3225 Minnesota Senate Building  
St. Paul, MN 55155

Dear Representative Marquart, Senator Chamberlain, and Tax Conference Committee members:

As you work to put together your conference report, we ask you to craft a tax bill that prioritizes everyday Minnesotans and raises revenues needed to sustainably fund the state's priorities.

Minnesota's projected budget surpluses are short-lived; they do not continue into the FY 2022-23 biennium. **Minnesota needs a tax plan that raises revenues** to maintain current commitments and make needed investments in education, health care, and other areas that build prosperity that reaches all Minnesotans, regardless of who they are or where they live.

The 2017 federal tax bill gave large, permanent tax cuts to profitable corporations. In contrast, it provided smaller, temporary tax cuts to individuals and families – and for a significant number of lower-income Minnesotans, it provided nothing at all. It makes sense to recapture a portion of the federal tax cuts by **conforming to federal tax law provisions relating to corporations and businesses that raise additional revenues** needed to invest in our schools, communities, and family economic security. It also makes sense to **rein in state tax cuts enacted in past years that have proven to be unsustainable and unaffordable**. Both the House and Governor Walz use these two areas to raise revenues to make essential investments in the FY 2020-21 biennium and respond to the need for additional revenues in FY 2022-23.

As you know, tax fairness is a high priority for us and we are **concerned that the Senate's proposed 2<sup>nd</sup> tier income tax rate cut leaves out too many everyday Minnesotans** and provides larger tax cuts at higher income levels. Analysis from the Institute on Taxation and Economic Policy estimates that nearly half of all Minnesotans would see no benefit from this rate cut, and higher-income Minnesotans are more likely to benefit and receive the largest tax cuts. For example, just over half of middle-income Minnesotans (incomes \$50,000 - \$79,000) would see an average tax cut of just \$44 in the first year proposal is in effect, while nearly all households with incomes above \$259,000 would benefit, and receive an average tax cut of more than \$250.

**We oppose tax cuts, like the proposed 2<sup>nd</sup> tier rate cut, that phase in over time**, because policymakers and the public do not have good information about their full cost to determine whether those tax cuts are sustainable. Putting their full effect into the future divorces the cost of these tax cuts from the inevitable trade-offs that will have to be made to pay for them – whether that is cutting funding for schools, health care, or other critical public services, or raising other taxes.

Instead, we believe that any tax cuts provided in this year's tax bill should be more focused on lower- and middle-income Minnesotans.

**Expanding the Working Family Credit and Renters' Credit** are essential components of a fair omnibus tax bill that makes everyday Minnesotans a priority. Earlier this week you received a letter from the Minnesota Budget Project and partner organizations on the tax issues impacting lower-income Minnesotans that made the case for these expansions in more detail.

In addition, I'd like to draw your attention to the fact that while Minnesota has been a leader in terms of state Earned Income Tax Credits, **the House Working Family Credit expansion proposal focuses particularly on areas where Minnesota has fallen behind.** It's been 10 years since federal policymakers created a larger EITC for families with three or more children, but Minnesota has not yet conformed. Also, policymakers at the federal level and in the states are increasingly recognizing the need to improve EITCs for workers without dependent children. We appreciate that Minnesota took an important step in 2017 by expanding the Working Family Credit to include younger workers ages 21-24. However, with a maximum credit of only \$139, it is still the case that the amount of Working Family Credit that workers without children receive is much smaller than other family sizes and what their counterparts receive in several comparable states.

We remain **concerned about the impact of adopting chained CPI** across the tax code. Chained CPI would reduce the value of deductions and exemptions over time, as well as the Working Family Credit and other income-targeted credits and refunds. A tax bill that adopts chained CPI without significant improvements in the Working Family Credit and other tax provisions impacting lower-income Minnesotans would likely result in the unacceptable outcome of lower-income Minnesotans paying higher state taxes to pay for tax cuts that provide little to no benefit to them.

We share in the goal of pursuing tax policies that increase prosperity in Minnesota, and urge you to make everyday Minnesotans a priority in this year's omnibus tax bill. Please contact me at [nmadden@mnbudgetproject.org](mailto:nmadden@mnbudgetproject.org) or 651-757-3084 if there is additional information that would be helpful to you as the Tax Conference Committee finishes its work.

Sincerely,



Nan Madden  
Director

cc:

Governor Tim Walz  
Representative Melissa Hortman, Speaker of  
the House  
Senator Paul Gazelka, Senate Majority Leader  
Representative Kurt Daudt, House Minority  
Leader  
Senator Tom Bakk, Senate Minority Leader  
Representative Greg Davids

Representative Aisha Gomez  
Representative Dave Lislegard  
Representative Diane Loeffler  
Senator Gary Dahms  
Senator Jeff Howe  
Senator Ann Rest  
Senator David Senjem