



May 8, 2019

Representative Paul Marquart
Chair, House Taxes Committee
597 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Boulevard
Saint Paul, MN 55155

Senator Roger Chamberlain
Chair, Senate Taxes Committee
3225 Minnesota Senate Building
95 University Avenue West
Saint Paul, MN 55155

Re: Omnibus Tax Bill, House File 2125

Chairs Marquart and Chamberlain and Members of the Conference Committee,

On behalf of Medical Alley Association's more than 600 members, I'd like to thank you for the opportunity to provide input on House File 2125. Medical Alley Association acknowledges the difficult decisions facing this conference committee and appreciates the dedication and commitment it will take to come to an agreement on this legislation. Below are a few provisions Medical Alley Association is pleased to support, as well as some we have concerns with.

Support

Reinstatement of the Angel Investment Tax Credit

House: Article 2, Secs. 1 – 7, 30, 32; Senate: Article 2, Secs. 1 – 3, 32

Medical Alley Association greatly appreciates the reinstatement of the Angel Investment Tax Credit (AITC) being included in each chamber's bill. MAA urges the conference committee to adopt the House position reinstating the AITC for two years, at \$10 million per year, as this will allow more innovators throughout the state to access this important source of capital.

The AITC is vital to keeping Minnesota a destination for entrepreneurs across technology sectors. The AITC, which was first available in 2010 but expired at the end of 2017, resulted in more than \$421 million in private investment in Minnesota startups and emerging companies during that time. Additionally, nearly half of all states have programs similar to the AITC – including regional competitors like Illinois, Iowa, and Wisconsin – making the program vital to continuing to attract investment dollars for Minnesota innovators. Reinstating the AITC is one important thing the state can do to continue growing Minnesota's startup ecosystem and generate growth for the decades to come.

Full Conformity to Section 179 Expensing

House: Article 2, Secs. 21, 35; Senate: Article 2, Sec. 62

Medical Alley Association thanks both the House and Senate Taxes Committees for including full conformity to Section 179 Expensing in their omnibus bills and eliminating the 80% add-back. Medical Alley Association supports the adoption of either provision into the final bill.

Full conformity to increased Section 179 Expensing at the federal level provides an important tool for increasing investment in Minnesota by health technology companies, large and small. This change provides another reason to invest in Minnesota and to keep the industry growing here, rather than other potential locations where there isn't a similar disadvantage.

Duluth Regional Exchange District

House: Article 10, Secs. 5 – 11

Medical Alley Association supports language creating the Duluth Regional Exchange District. Modeled after Rochester's Destination Medical Center (DMC), the district would help make Duluth a center for investment and development focused on the health innovation and care industry.

This legislation seeks to build the same type of public/private partnership in Duluth that has been so successful in Rochester. Duluth already has a thriving healthcare industry; Essentia Health and St. Luke's employ about 10,000 people in the Duluth area and pay nearly \$1.5 billion in wages and benefits. Both of them already are investing tens of millions of dollars in local construction, including Essentia Health's Vision Northland project.

For Medical Alley to be recognized as the global epicenter of health innovation and care, Minnesota must more effectively capitalize on resources available throughout the state. This effort also requires strong partnerships between industry and the public sector, like the Rochester DMC. This proposal builds on that and will accelerate Duluth's growth as a hub for investment and innovation in the health technology and care industry.

Changes to the State General Levy

House: Article 5, Sec. 34; Senate: Article 4, Sec. 22

Medical Alley Association strongly supports the Senate's reduction to the Statewide General Levy. While other state policies, such as single sales apportionment and the research and development credit, encourage growth and investment in Minnesota, the Statewide General Levy discourages it. Both urban and rural businesses are already subject to property taxes at the local level and face some of the highest tax rates in the country. Additionally, the assessment of the Statewide General Levy is completely disconnected from the profit, loss, or sales of the business paying it.

We urge the conference committee to adopt the Senate position reducing the Statewide General Levy and to decline the House position, which increases property taxes on businesses throughout the state.

Concerns

Changes to the Qualified Data Center Program

House: Article 3, Sec. 11, Article 14, Sec. 2

Medical Alley Association is very concerned about the proposed changes to the qualified data center program contained in the House bill. We urge the conference committee to not adopt any language that is not prospective in nature.

Applying these changes to agreements that have already been entered into reflects poorly on Minnesota and would have a significantly negative impact on Minnesota's competitiveness in attracting investment in the future – keeping in mind several of the investments made through this program were from companies already headquartered, or that have a significant presence, in Minnesota. Any changes to the program should be made for new investments only and should not seek to penalize those that have used this program in good faith and met all requirements.

Capture and Taxation of Foreign Income

House: Article 1, Secs. 57 – 60

Medical Alley Association urges the conference committee to not adopt the proposed changes to the capture and taxation of foreign income contained in the House bill.

The changes to the corporate tax system at the federal level were made to increase competitiveness and investment. Instead of seeking to do the same, the House proposal penalizes Minnesota-based

companies for doing business overseas by subjecting them to an increased tax base. This, combined with Minnesota's already uncompetitively high state corporate income tax rate, makes the state a less appealing place for health innovation companies to remain and to invest in.

Thank you again for the opportunity to share our input on this legislation. Please let me know if we can provide any additional information or be a resource for this conference committee.

Sincerely,

A handwritten signature in blue ink that reads "Bobby Patrick, VI". The signature is written in a cursive, flowing style.

Bobby Patrick, VI
Director, Government Relations
Medical Alley Association