AARP Minnesota
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May 5, 2023

TO: Chair Rest and Gomez
Senators Klein, Dibble, Hauschild, and Webber
Representatives Lislegard, Lee, Agbaje, and Davids

Re: Tax Omnibus Bill (HF1938/SF1811)

Dear Chairs Rest and Gomez and Conference Committee Members:

On behalf of AARP's 620,000 members and all older Minnesotans, we appreciate the opportunity to comment on the tax omnibus conference bills. AARP appreciates the attention to lowering taxes for seniors, including Social Security and property tax relief.

While both bills provide property tax relief, there are significant differences, and we urge conferees to adopt the House position, which provides relief to homeowners and renters alike. We also urge conferees to support the Senate's position on Social Security relief with its more gradual phase-out to avoid a tax cliff for earners over the new thresholds.

We respectfully submit the following comments on the Omnibus Tax bills:

Social Security Tax Relief (Senate Position)
AARP believes these bills take a significant step forward in providing Social Security tax relief for seniors. We appreciate the approach in this bill of eliminating Social Security taxes up to $100,000 for couples and $78,000 for singles using adjusted gross income rather than provisional income and continuing the subtraction for earners over these income thresholds.

AARP supports the Senate position as it provides a more gradual phase-out than the House, meaning taxpayers are less likely to be affected by a tax cliff.

Tax elimination up to certain income thresholds is much more straightforward for Minnesotans to understand and will provide much-needed tax relief to middle-class retirees who are feeling the pressure of rising health and long-term care costs and other expenses, especially in these times of high inflation.

We appreciate creating a simpler tax subtraction option that gives seniors the choice of using this option or the current subtraction in law. However, as indicated above, we support the Senate approach.

Property Tax /Renter's Credit Relief (House Position)

AARP appreciates the attention to property tax relief in both bills that provide targeted relief for homeowners, including expansion of the **senior deferral program** that can help cash-strapped defer their taxes; **targeted relief for homeowners** experiencing a spike in their taxes (6% in the house; 10% in the senate) and **increasing the homestead market value exclusion**, which has remained flat since 2011.

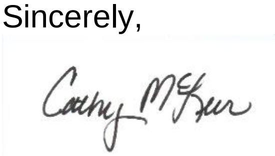
However, **we urge conferees to adopt the House proposal, which provides relief to renters and homeowners alike.** The House bill makes historic changes to the renter's credit and provides additional relief through the Homestead Credit Refund.

The renter's credit proposal will go a long way in helping to reduce housing costs for renters struggling to afford rent and other basic necessities. Under the House proposal, an estimated 119,000 renting households already eligible but face barriers in the application process would begin claiming the Renters' Credit. About 36,000 additional households would start qualifying for the credit.

Together, these provisions will allow more of Minnesota's older residents to continue to age in place and offer an additional step toward remedying long-standing inequalities in the housing arena.

AARP looks forward to working with lawmakers to pass a tax bill providing Social Security tax relief and relief for renters and homeowners. If you have questions or wish to discuss this matter further, please contact AARP Advocacy's Director, Mary Jo George, at mgeorge@aarp.org or 651-271-6586.

Sincerely,



Cathy McLeer
State Director
AARP Minnesota

ADVANTAGE
CAPITAL

May 5, 2023

TO: Senate Tax Chair Rest, House Tax Chair Gomez and members of the Tax Conference Committee

On behalf of Advantage Capital, I write in support of the Minnesota New Markets Tax Credit (MN NMTC) included in S.F. 1811, which will increase access to affordable capital for small businesses in Minnesota's most vulnerable communities.

The New Markets Tax Credit is a federal program that has been driving affordable and accessible funding to small businesses and non-profits in low-income communities since 2000. Over the last 23 years, the CDFI Fund in the U.S. Treasury has awarded $71 billion to Community Development Entities (CDEs) who have supported over 10,000 business, 938,000 jobs and have attracted $8 of private investment for every $1 of federal investment.

In 2007, states began passing state-level NMTC programs to attract more of these funds to their state. Since then, 14 states have passed their own version of a state-level program, including Ohio, Illinois, Nebraska, and they have seen outsized results. Ohio saw their federal NMTC investment double after passing a state program; Illinois saw their share of federal NMTC funding increase 5x after passing a program; and Nebraska started receiving *11 times* more federal NMTC investment after passing their program.

These new funds flow entirely to the benefit of small businesses and non-profits in low-income areas that need access to capital but struggle to find it through traditional sources. Advantage Capital has invested over $1.7B into 406 businesses under federal and state NMTC programs. One of those businesses was a minority-, woman-owned call center in North Omaha, Nebraska that couldn't find the funding necessary to grow. After finding the financing through NE NMTC, they created over 150 jobs in an area with a poverty rate of 29% and now that entrepreneur supports other female, minority entrepreneurs who want to start their own businesses in North Omaha. NMTC gives entrepreneurs the opportunity to grow where they're planted and provides quality jobs for residents of the communities that need them most.

As these businesses grow, they generate additional state and local tax revenue that wouldn't have existed without access to this affordable capital. Nevada passed their first state program in 2013 and found that it is generating $10.55 for every $1 of state investment and Louisiana's ongoing New Markets program showed a $2.07:$1 ROI on the state's investment.

<u>Advantage Capital strongly supports the inclusion of MN NMTC in the omnibus tax bill to attract more federal funds to the state that will support small business growth where it will have the largest impact on Minnesotans who need it most.</u>

Thank you for your consideration.

Sincerely,

Alex W. Stepanek

Alex Stepanek
Associate
Advantage Capital

AEOA
ARROWHEAD ECONOMIC OPPORTUNITY AGENCY

May 5, 2023

The Honorable Ann Rest
Chair, Tax Committee
Minnesota State Capitol, Room 328

The Honorable Aisha Gomez
Chair, Tax Committee
State Office Building, Room 453

Re: Support for Renters Credit expansion

Chair Rest, Chair Gomez, and Members of the Conference Committee,

I'm writing on behalf of the Arrowhead Economic Opportunity Agency (AEOA) to support the Renters Credit expansion included in the House Tax Omnibus bill. We support both the simplified process for claiming the credit and the increase in the credit amount people can claim, and we urge you to include these provisions in the Tax Conference Committee Report.

The Arrowhead Economic Opportunity Agency (AEOA) is a private, non-profit Community Action Agency with a mission to strengthen communities by providing opportunities for people experiencing social and economic challenges. For nearly six decades, the Agency has grown in response to community needs and currently provides services through five major departments including Employment and Training, Head Start, Housing, Senior and Nutrition Services, and Arrowhead Transit. AEOA provides self-sufficiency services to low-income and disadvantaged persons in Aitkin, Carlton, Cass, Chisago, Cook, Crow Wing, Isanti, Itasca, Koochiching, Lake, Pine, and St. Louis. Through AEOA's Tax Assistance Program, certified AARP Tax-Aide Program volunteers are available February 1 through April 15 to prepare Minnesota and federal tax forms for low- to-moderate-income individuals and senior citizens.

We support the Renters Credit expansion because renters credit is an investment in housing stability for Minnesota renters, many of our clients access this credit which allows them to pay for afford things such as hygiene products, clothes, or gas for their vehicles.

Thank you so much for all your work on behalf of Minnesota families.
Sincerely,

Emily Bombich
Director of Planning

702 Third Ave South, Virginia, Minnesota 55792-2797
(218) 749-2912 · (800) 662-5711 · FAX: (218)749-2944

Association *of* Minnesota Counties

May 5, 2023

Dear Chairs Gomez, Rest, Lislegard, and Members of the Tax Conference Committee

On behalf of the Association of Minnesota Counties (AMC), an organization representing all of Minnesota's 87 counties, we write to submit input for consideration during the tax conference committee process. Please find a condensed list of provisions counties have concerns or suggestions with below. We thank the Chairs, committee members, and staff for their diligent work and look forward to working with you in the days and weeks ahead!

County Program Aid (CPA): County Program Aid remains the top tax priority for Minnesota counties. For too long, the unpredictable relationship between the state and its local government partners have led to a diminished purchasing power of CPA in terms of levy and budget relief. We are grateful that both chambers have discussed the importance of reestablishing the State's commitment towards being a better and more reliable partner to its local governments. Recognizing this, AMC would ask that the conference committee report include a sizable increase in this most critical program that is in line with the House (Chairs Lislegard/Gomez) proposal. County Program Aid remains counties' most flexible and important aid program that provides direct property tax relief to every single Minnesota property taxpayer. We firmly believe that comprehensive property tax relief is not possible without a significant investment in this important program.

PILT Rate Modifications: Payment in Lieu of Taxes (PILT) is a critical resource for counties with large amounts of state-owned land. We appreciate both chambers efforts to addressing regional inadequacies and increasing the acre rates for county and commissioner-owned/administered lands, but hope to elevate the proposal led by the Northern Counties Land Use Commission (NCLUB) that includes a higher per-acre increase to county and DNR administered lands as well as a proposal that recognizes tax base impacts of counties with disproportionate amounts of tax exempt land.

SCORE/SWMT Tax Dedication Counties appreciate legislators work to recognize that Solid Waste Management Tax proceeds should be redirected towards recycling and solid waste management activities. In particular, we appreciate Senator Dibble's bold proposal to shift 15% of SWMT revenues to SCORE grants which serve to invest in waste-reduction, landfill diversion, and recycling activities which create significant environmental and public health benefits. AMC hopes the conference committee will support the Senate's position of 15%, but also make efforts to start the transfer sooner to allow more immediate action on these worthwhile environmental and climate goals.

Election Funding: Senator Rest's inclusion of a historic, unprecedented state commitment to funding local election-related costs (and mandates) should be applauded. AMC hopes to continue to work with the author, Secretary of State, and county auditors to make sure the new program is administrable and still able to provide meaningful cost reimbursements that can be realized by levy relief while also holding true to the author's clear goal of having a strong system of accountability and transparency.

New tax shifts/exclusions: Counties appreciate each bill's tempered approach to introducing new tax rate reductions, exemptions, or exclusions that only serve to further erode tax base and shift burdens to those least able to pay. AMC would respectfully call attention to three provisions up for consideration that would change, alter, or eliminate property taxes for certain groups: proposals surrounding 4d class rate reductions, a new energy storage exemption, as well as an expansion of the disabled veterans market value exclusion. AMC offers the following suggestions on these proposals:

- **Suggestion regarding 4d(1) proposal (Article 3: Sections 19-21)**: REMOVE county mandated report/study on 4d tax rate reduction benefits and INSERT language requiring "any benefits gained must be used to offset rent (rent reduction) or property improvements." This will further align the new benefit with intended outcomes—based on author and advocate conversations—and reduce the need for a bureaucratic report that will produce questionable findings and usefulness.

- **Suggestion regarding energy storage systems exemption proposal (Article 3: Sections 5-6):** If legislators find solid policy merits to incent these developments, AMC suggests looking towards a property tax/income-related tax credit in place of a tax exemption which only serves to shift a tax burden on to other businesses and residents. That said, we do appreciate the targeted approach in this particular proposal that limits the exemption to a certain sized producer and only applies the exemption to facilities that fall outside an "energy community."

- **Suggestion regarding Disabled Veterans Market Value Exclusion expansion (Article 3, Section 22):** If transferring the disabled veteran market value exclusion over to a tax refund or credit-type program is not feasible, we would suggest a small, but targeted tax base assistance aid for county tax bases disproportionately impacted by the exclusion—which continues to grow substantially each tax year. Language could be inserted to require counties to directly apply new state assistance toward levy reduction and no programmatic spending. ***Note:*** The Disabled Veterans Market Value Exclusion has grown from $1.1 billion worth of property tax value excluded statewide to $4.3 billion worth of value excluded as of 2022.

Public Safety Aid: While AMC agrees with legislators and the governor about the need to invest in public safety, we also have concerns about the ability for one-time funds to be used to address our most pressing and ongoing need: hiring more deputies/officers. While this aid is a welcome recognition of the costs borne by local entities for a statewide benefit, we have ideas on how to structure this aid more equitably for its intended benefit. At minimum, as Senator Weber pointed out in committee, AMC would request that this provision require cities who use county public safety resources to use their new aid to reimburse their respective county for those service costs.

Support for Property Tax Relief Mechanisms: AMC supports an array of property tax relief mechanisms included in both bills, specifically mechanisms to increase the homestead exclusion, property tax refund, targeted property tax refund, and senior property tax deferral programs.

Property Tax Policies: AMC supports policy proposals included in both bills that include the ability for counties to set a tax delinquency rate less than the state's rate as well as work related to clarifying the property tax classification for properties with more than one solar energy system that produces more than 1 MW. We also support and thank Senator Rest for her inclusion of local option sales tax provisions for Beltrami, Jackson, Rice, Stearns, Winona, Cook, and Lake of the Woods counties.

In summary, we thank members for their attention to these issues and look forward to further collaboration in the weeks ahead.

Sincerely,

Mary Jo McGuire
Ramsey County Commissioner
President, Association of Minnesota Counties

Matt Hilgart
Government Relations Manager
Association of Minnesota Counties

The American Legion Department of Minnesota

Changing e-tabs is wrong for Minnesota

Kristy Janigo, Legislative Chairperson

May 5, 2023

This is the Minnesota Legislature's last chance to do the right thing on the matter of e-tabs.

As veterans, we risked life and limb for all Americans, not just those who agree with us. We are disappointed and hurt by how partisan and divisive this issue has become. We've heard a litany of reasons why the House Tax Committee added language changing e-tabs to their omnibus bill on April 17, with legislators who supported the measure telling us it's the "right thing" to do.

Then why was the language added near the end of the session, with the timing inherently stifling democracy and limiting public discourse? "Right things" enjoy the light of day. They are celebrated in the media and shared by those behind the effort for the potential positive impact on those affected. We haven't seen legislators celebrating this, not even the authors. Rather, they have tried to minimize, hide, and downplay what this will do. They have been on the defense explaining to their constituents, veterans groups, public safety foundations, youth sports organizations, and human services nonprofits why this is the "right thing" and how it won't be devastating for our charities.

Legislators who are intent on changing e-tabs told us is that 1. They need to uphold the letter of the law, and 2. They need to deliver on promises made to Native American tribal casinos.

Yet, two courts have ruled that no agreement has been broken with e-tabs and e-gaming exactly as they are today. So, these legislators say they want to "fix" the law, make it clearer and less ambiguous after 10 years of history and success in paying off the U.S. Bank Stadium well ahead of schedule.

We question how much our American Legion posts having gambling operations impacts casino business. Customers enter American Legion, VFW or Amvets post homes because they want to support local veterans and support of their communities. Probably more salient, they just don't want to travel far for their entertainment.

Our posts fulfill a completely different market share than tribal casinos. If e-tabs are rolled back by removing the "open all" feature, and God only knows what else in the future, this is purely lost revenue. If our customers can no longer gamble at our posts, they are unlikely to travel to a casino instead. The state takes a huge cut of our proceeds through taxes. For most operations, there is a 36 percent state tax on charitable gambling. The state of Minnesota will lose money. Some cities and local governments tax our charitable gambling. Local governments' revenues from taxing us will go down. Our abilities to support the people in need in our communities will drop.

Which government entity will pick up our slack when we cannot help the homeless veterans who show up on our doorsteps asking for help? Who will pay for youth sports for families who have less income? We know that youth programming is a crucial component of public safety. Who will fund the food shelves that never see a dime of county or state funding? Who will pay for the new fire engines or thermal cameras for small fire departments?

Other states have both tribal casinos and charitable gambling. Where does this notion of "us against them" come from? We recognize that indigenous people serve in the military at much higher rates than the general population. We are proud of our Native American military personnel, veterans and Legionnaires. We have never wanted to take away from anyone else, but this will take from everyone in charitable efforts, whether they conduct gambling or not. Nobody knows how much, but in 2021, the fiscal note for a bill to scrap e-tabs showed a $33 million loss. Now, it could be a lot more given rising costs and inflation.

Tribal casinos and charitable gambling co-exist just fine and have for years. If these changes to e-tabs make it into law, Minnesota would be the only state with these requirements. Gaming manufacturers would have to reprogram their products to accommodate only Minnesota. And what incentive do they have to do so? We've been reassured that they will gladly do it because of the big revenues generated from e-gaming. Legislators have also stated that this is the gaming industry's fault in the first place. It's easy to pass the buck, but where does it stop? All the responsibility and risk are being placed on charities. How is that the "right thing" to do?

Upsetting the charitable gambling landscape of Minnesota would impact many children, who are recipients of donations through sports, scholarships, food programs, school activities, homeless programs and local nonprofits for the young. Programs such as Wishes & More, which grants wishes to children fighting terminal illnesses, would receive far less.

Local parades, fireworks displays, county fairs, fire equipment, school flags, marching band uniforms, football headsets, international sister-city efforts, wheelchair-friendly playground equipment, all kinds of local and valuable projects would be hurt. Because of this, we've seen thousands of people write their legislators, some of which are becoming politically active for the first time.

This would hurt veterans. Legion posts statewide use gambling funds to pay for honor guards at burial ceremonies. They use the funds for important veterans programs, such as taking totally disabled veterans hunting, helping veterans who struggle with PTSD, or the American Legion's Minnesota Veteran Assistance Fund, helping struggling veterans no matter where in the state they are.

Furthermore, veterans are courageous, scrappy, resilient people. The U.S. government trained us to never give up. Even if we are defeated this session, we will come back stronger than ever and with a renewed vengeance to fight for our own and our communities. We will not be silent. You will hear our voices and see us in the halls of the Capitol often, like you have this session. We will not let the people of Minnesota forget how you voted.

Today we call on the tax conferees to keep e-tabs as they presently are. At the end of the day, in the logic of your minds and in the honesty of your hearts, you know this is wrong. Changing e-tabs is not the "right thing" for all Minnesota.

Dear Chairs Rest and Gomez and members of the Conference Committee:

Thank you for the opportunity to share our thanks and enthusiastic support for the Child Tax Credit provisions included in both the House and Senate, as well as the Governor's, tax proposals.

We are excited to work with you to advance the strongest possible Child Tax Credit this year. For CDF-MN that means **centering poverty reduction** – especially for children from our Black, Indigenous and other communities of color – and **creating greater parity for children who are furthest from opportunity**, receive less under current state and federal EITC, CTC and Working Family Credit policy frameworks. Children in our lowest income or larger families arguably need more support, not less.

We also want to lift up the importance of the **simplified filing processes and increased navigator resources** included in the House bill. We work with partners across the state through our Bridge to Benefits tool to help families access state and federal programs and supports, including tax credits. That work has shown us both how many families are currently missing out on the supports they are eligible for and also how a little help goes a long way to securing a more economically stable future for children and their families. The best programs and policies are meaningless if families can't access them.

Finally, we would hope you will include a **pathway to periodic payments** for the new CTC as well as the Working Family Credit (and potentially other credits) down the road. We understand there are currently technical and federal policy challenges, but we hope you can give the Commissioner authority to move ahead with solving those and implementing an approach that works in the future. The federal CTC showed us the importance of providing this option to families in Minnesota.

Poverty is not inevitable and tax policy can and should play a critical role in removing this barrier to thriving for our children.

Sincerely,

Debra Fitzpatrick Director of Policy and Research	May Losloso Director of Community Engagement	Natletha Sumo Kollie Director of Outreach

555 Park Street, Suite 410, St. Paul, MN 55103 o (651) 227-6121 f (651) 227-2553 www.cdf-mn.org

COALITION OF GREATER MN CITIES

DEDICATED TO A STRONG GREATER MINNESOTA

May 5, 2023

RE: Conference Committee on the Omnibus Tax Bill – HF 1938

Chair Gomez, Chair Rest, and members of the Taxes Conference Committee:

I am writing on behalf of the Coalition of Greater Minnesota Cities (CGMC) to express our appreciation for the inclusion of the local government aid (LGA) provisions in the House and Senate Omnibus Tax Bills and to thank you for the work you have done thus far.

LGA is critical to assisting communities across the state, especially in Greater Minnesota, with providing the services and infrastructure that our residents and businesses rely on while restraining property taxes. For many years, the LGA appropriation has not kept pace with inflation and has shrunk as a share of the state's general fund budget. The $100 million increase contained in the House bill will significantly impact communities large and small and renews the state's commitment to its partnership with local governments. Given the size of the surplus, we see no reason that the legislature cannot ultimately pass an increase of at least $100 million.

In addition, we believe that including the yearly inflation adjustment to the appropriation is critical to the LGA program going forward. We appreciate the inclusion of the inflation factor in the House bill, which will increase the LGA appropriation over time to reflect the increase in costs and service needs faced by cities. The inclusion of this provision will make LGA more predictable for cities as they do their budgeting and will enable LGA to fulfill its dual mission of helping cities thrive while also preventing burdening residents with higher property taxes.

We also support the inclusion of the LGA formula updates contained in both bills. These updates are the product of two years of work with our colleagues at the League of Minnesota Cities, Metro Cities, and the Minnesota Association of Small Cities. These updates come approximately 10 years after the last significant work was done on the formula and will be more responsive to newer data and changed circumstances. The CGMC wholly supports these revisions.

Finally, pending costs related to proposed paid family and medical leave policies will further compound challenges for local governments. Setting aside the difficulties Greater Minnesota cities are already experiencing when filling critical positions, there will be a considerable cost. In addition to paying a portion of premiums for their employees, cities will likely need to invest more in over-time pay to ensure staffing needs are met when an employee is on leave. Without a significant LGA increase, these added costs will fall squarely on property taxpayers.

Though there are other items in the tax bill or even budget provisions in other bills that benefit cities, LGA should be the priority for the conference committee because it is a flexible general-purpose aid that allows cities to determine how best to meet their needs. For this reason, we have not advocated in favor of the Senate's one-time public safety aid or the House's new housing aid. To reiterate, LGA is our highest priority.

The bottom line is that LGA helps cities provide the basic blocking and tackling of public services. The historic surplus is more than enough to meet many needs. Investing $100 million in the LGA program to help pay for the basics while also restraining property taxes must be a priority in this conference committee.

Sincerely,

Bradley Peterson
Executive Director, Coalition of Greater Minnesota Cities

Office of Mayor Jacob Frey
350 S. Fifth St. - Room 331
Minneapolis, MN 55415
TEL 612.673.2100

www.minneapolismn.gov

May 5, 2023

Chair Rest, Chair Gomez and Members of the Conference Committee on Taxes,

Thank you for the opportunity to provide comments on the omnibus Tax bill. There are provisions in both the House and Senate Tax bills that the City of Minneapolis supports.

Local Government Aid
The City of Minneapolis appreciates the increase to Local Government Aid (LGA) in both the House and Senate Tax bills. We encourage conferees to support the House position on LGA, which includes a higher increase, changes to the formula, and most importantly indexes the increase to inflation. This will ensure that LGA can help us continue to meet basic City needs without over-burdening property taxpayers.

Housing and Homeless Prevention Aid
Minneapolis is a city that is more than 50% renters, many of whom are housing cost burdened. The changes to the renters' credit in the House Tax bill will help keep housing affordable for Minneapolis residents who rent their home. The homestead credit provisions in the House bill will also support the city's low to moderate income homeowners.

The City of Minneapolis supports the Local Affordable Housing Aid program established in the House Tax bill, which creates another tool for us to continue adding to our supply of affordable housing.

The City of Minneapolis also supports the significant increase to Homeless Prevention Aid included in the House Tax bill. This aid supports families experiencing homelessness in Hennepin County and helps bolster successful programs serving families, such as the City's Stable Homes Stable Schools Program.

Public Safety Aid
The City of Minneapolis supports the local Public Safety Aid included in the Senate Tax Bill. This significant one-time assistance will help the City invest in the future of our public safety infrastructure. The strong investment in local governments across our state will both help prevent violence from occurring in the first place and keep communities safe in the immediacy.

Solid Waste Management Tax
The City of Minneapolis appreciates the provisions in the House and Senate Omnibus Tax Bills to allocate a portion of the Solid Waste Management Tax (SWMT) currently going to the General Fund to the Environmental Fund for SCORE grants to counties (House: Article 12, Sec. 12 and Senate: Article 13, Sec. 17). The Senate language is more favorable, and we encourage the conference committee to find a path to adopt or phase in the 15% allocation prior to 2027 to begin upping SCORE eligible activities sooner than four years out.

U.S. Bank Stadium
There is or will soon be sufficient revenue in the stadium reserve to pay off the entire public investment for the construction of U.S. Bank Stadium, and the City of Minneapolis supports that happening. The City supports the provision of the House Omnibus Tax bill that eliminates the requirement that the City of Minneapolis continues to make debt service payments on the bonds after the bonds are repaid in full.

The City of Minneapolis is committed to maintaining the stadium as a world class facility and has significant obligations to the stadium beyond the construction debt, but it simply does not make sense to continue to make debt service payments toward debt that no longer exists. We are grateful for the provision included in the House Omnibus Tax bill that will ensure we can use the savings from the stadium debt to meet other needs, including maintaining all downtown assets.

Thank you for your consideration of these comments.

Yours Truly,

Mayor Jacob Frey,
City of Minneapolis

COUNCIL FOR MINNESOTANS OF AFRICAN HERITAGE

May 1, 2023

Chair Aisha Gomez
House Taxes Committee
453 State Office Building
St. Paul, MN 55155

Chair Ann Rest
Senate Taxes Committee
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re: Economic Security Priorities in Omnibus Tax Bill (HF1938/SF1811)

Chair Gomez, Chair Rest, and Members,

Minnesota's historic budget surplus creates an unprecedented opportunity for our state to use public resources to address the needs of underserved African Heritage communities and other disadvantaged groups. The Council for Minnesotans of African Heritage supports your efforts to design tax reforms that would convert public gains into targeted economic and social relief for children and families.

Our Council commends the following proposals in the Omnibus Tax Bill (HF1938/SF1811), which would transfer direct cash aid to individuals and localities for critical needs:

1. Use part of the surplus to provide a direct tax rebate to Minnesotans
2. Provide $100 million in additional state aid to counties for regional public services
3. Provide $100 million in additional state aid to cities for local public services
4. Provide economic relief through the Great Start Childcare and Dependent Care Credit
5. Increase the student loan credit and make it refundable
6. Expand the K-12 education credit
7. Allow those who file with an Individual Taxpayer Identification Number (ITIN) to be eligible for the Child and Working Family Credit and the Homestead and Renter's Property Tax Credit.

Please ensure that the Omnibus Tax Bill includes targeted child tax credit and property tax credit provisions that would address the needs of neglected African Heritage children and families. We know from empirical evidence that the tax system can be anti-poverty in its outcomes when it is equitable, inclusive, and people-centered in its orientation.

Child and Working Family Tax Credit

Reform the Child and Working Family Tax Credit to simplify its technical requirements, while strengthening its targeted support mechanisms. Although Minnesota has low levels of poverty when compared to other states, there are major racial disparities in childhood poverty in Minnesota. The child poverty rate in the Black Minnesota is twenty-five percent, which is more than two-and-a-half times the rate in the White community. Studies by Brookings and Columbia University show that part of the problem is that the traditional child tax credit structure does not support Black children adequately. The traditional system neglects one-third of children because it classifies their families as too poor to receive the maximum tax credit. Black children are disproportionately impacted by this exclusion. The Child and Working Family Tax Credit proposal in the House Bill would contribute positively to the long-term social and economic wellbeing of Black children and families by addressing the preceding problem of neglect.

Homestead and Renter's Property Tax Refund

Cost of living expenses are taxing. Minnesotans deserve relief from rising costs, especially during a time of historic budget surplus. Restructure current property tax credits for homeowners and renters to expand eligibility and increase the amount of cash that goes back into people's pockets. Expand the pool of underserved Minnesota renters who receive the renter's tax credit by incorporating the renter's credit into the income tax filing process and simplifying the terms for qualifying for the credit. These reform measures would help Minnesota address the crises of housing instability and high living costs for low-income Minnesota families.

Our Council believes the income support afforded by the above measures would help households to meet their basic needs and, thereby, improve the long-term educational, emotional, and healthy development of the children and families. Thanks for your consideration. And thank you for your leadership and partnership on economic security and racial justice issues.

Sincerely,

Linda Sloan | Executive Director
Theodore Rose | Legislative and Policy Director
Council for Minnesotans of African Heritage

The Minnesota Legislature empowered the Council for Minnesotans of African Heritage to ensure that people of African heritage fully and effectively participate in and equitably benefit from the political, social, and economic resources, policies, and procedures of the State of Minnesota. Generally, the Council is charged with the responsibility of:

- *Advising the Governor and the Legislature on issues confronting People of African Heritage;*
- *Advising the Governor and the Legislature on statutes, rules, and revisions to programs to ensure that Black people have access to benefits and services provided to people in Minnesota;*
- *Serving as a liaison to the federal government, local government units and private organizations on matters relating to People of African Heritage in Minnesota;*
- *Implementing programs designed to solve problems of People of African Heritage when authorized by statute, rule or order; and*
- *Publicizing the accomplishments of People of African Heritage and their contributions to the state.*

CONSERVATION MINNESOTA

May 5, 2023

Dear Chair Gomez, Chair Rest, and Members of the Taxes Conference Committee,

We write to share our support for numerous provisions found in both the House and Senate versions of HF1938 – the Omnibus Tax Bill.

SCORE Grants

We thank both the House and the Senate for recognizing the need to return a portion of the Solid Waste Management Tax from the general fund diversion to the intended purpose – to help local governments reduce waste and increase recycling via SCORE grants. We encourage the Conference Committee to consider using portions of both the House and Senate positions to help local governments manage increasing waste and recycling challenges.

We ask the Committee to consider a version of the House proposal returning some of the diverted Solid Waste Management Tax this biennium, and then consider the Senate proposal of returning 15% of the diverted Tax next biennium, and beyond. Like many local governments, we share the goal to return the entire 30% of the diverted Solid Waste Management Tax to its intended purpose, and we thank the Committee for helping move us towards this goal.

PILT

We thank both the House and Senate for recognizing the need to increase some Payment In Lieu of Taxes (PILT) rates. PILT payments support our public lands and public lands support our robust forestry and outdoor recreation economies. Public lands also help mitigate climate change and ensure equal access to the outdoors, and we support increasing some PILT rates so our public lands are not jeopardized and to continue helping local governments.

SWCD Aid

We thank both the House and Senate for recognizing the need to include reliable and ongoing funding for Soil and Water Conservation Districts in their respective proposals. This long-term funding should help achieve our shared goals that all lakes, rivers, and streams meet their designated uses (like fishable, swimmable and drinkable). And, the funding will have the co-benefits of helping the state's largest group of conservation professionals increase the climate resiliency of our natural resources and improve wildlife habitat.

Thank you for the good work you do.

Nels Paulsen, Policy Director	(608) 469-5299	nels@conservationminnesota.org
David Pelikan, Policy Associate	(262) 685-7265	david@conservationminnesota.org

CRF USA®

Community Reinvestment Fund, USA
801 Nicollet Mall, Suite 1700 West
Minneapolis, Minnesota 55402
800 475.3050/612 338.3050 tel
612 338.3236 fax www.crfusa.com

Capital for Communities – Opportunities for People®

May 5, 2023

Senate Tax Chair Ann Rest
House Tax Chair Aisha Gomez
Minnesota State Capitol Building
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155

Dear Senate Tax Chair Rest, House Tax Chair Gomez and Members of the Tax Conference Committee,

Community Reinvestment Fund, USA (CRF), a Minnesota-based Community Development Financial Institution (CDFI), appreciates the opportunity to voice its support for HF1938 / SF1811 that includes a Minnesota State New Markets Tax Credit that mirrors the federal New Markets Tax Credit (NMTC) Program. The federal NMTC Program was established as part of the Community Renewal Tax Relief Act of 2000 to stimulate investment in low- income and impoverished communities across the United States.

We are pleased to provide our firsthand experiences with the federal NMTC program since 2000 and our support for a State of Minnesota New Markets Tax Credit Program for the following reasons:

1. Proven financing tool for economic development projects where a GAP exists in the financing structure;
2. Leverages a public incentive to attract private investment;
3. Demonstrates and holds projects accountable to deliver Quality and Accessible Jobs in a wide range of industries; and
4. Builds off the successful federal program for implementation with respect to rules, guidance, and legislation.[1]

CRF has been an innovator and a participant in the federal NMTC since 2000. CRF and its affiliate, National New Markets Tax Credit Fund, Inc. (NNMTCF) have become one of the largest federal New Markets Tax Credit (NMTC) Allocatees in the country, receiving tax credit allocations totaling $919.5 million which have been deployed in the form of flexible loans to both for-profit and non-profit operating businesses located in low-income communities across the country. The industry has invested more than $2.7 billion of federal NMTC in the State of MN in over 200 projects retaining/creating 22K jobs in our state.[2]

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[1] See https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit/apply-step

[2] See https://nmtccoalition.org/state-fact-sheets/

CRF USA

Recent Minnesota NMTC Investment

Con-Agra/Bird's Eye ground up construction of a 250,000 SF vegetable packing facility along with the purchase and installation of state-of-the-art equipment to process fresh vegetables in Waseca, Minnesota. CRF partnered with Midwest Minnesota Community Development Corporation to finance this essential manufacturing facility that aligns with the needs and local economic development initiatives of the City of Waseca and Waseca County Economic Development Strategic Plan. This project also advances the 2017 City of Waseca Vision 2030, which highlights local population decline and calls for the creation of high skilled jobs at existing and new businesses to attract and retain qualified workers who want to live and work in Waseca.

Conclusion

CRF supports HF1938 / SF1811 which would establish and fund a Minnesota state NMTC program. We believe that the current bill leverages best practices and efficiencies created at the federal level to drive inclusive growth for Minnesota's economy. Please contact Jennifer (612-305-2055) or Vicky Stein (612-200-9112) with any questions regarding our support for this proposed legislation.

Sincerely,

Jennifer Novak
Senior Vice President

Victoria E. Stein

Victoria Stein
Vice-President

May 5, 2023

Senator Ann Rest, Chair, Senate Taxes Committee
Representative Aisha Gomez, Chair, House Taxes Committee

Dear Chair Rest, Chair Gomez, and members of the conference committee:

On behalf of CTIA®, the trade association for the wireless communications industry, I write in support of language in House File 1955 that would exempt from sales taxes fiber and conduit purchased or leased for use directly by a broadband or Internet service provider, primarily in the provision of broadband or Internet access services that are ultimately to be sold at retail. Now that the federal government is about to provide once in a generation broadband funding, Minnesota has an opportunity to ensure that all of these federal funds - and the additional private sector investment that will be leveraged by that federal funding - go directly into broadband networks that benefit residents and businesses in the state. Furthermore, because the federal funds will be targeted to rural and underserved areas, it is important to note that businesses and residents in those areas of the state would benefit most from the enactment of this language.

We all know that investment in high-speed broadband networks has become every bit as important as investments in highways and other infrastructure. As Minnesota competes with other states to attract and grow businesses, it is critical that the vital communications infrastructure to support this growth is deployed throughout the state so that all regions can benefit. This legislation, by lowering the cost of investment and attracting new communications network investments, will help ensure that Minnesota continues to grow economically.

For these reasons, CTIA supports the sales tax exemption language for fiber and conduit in HF 1955. Thank you for your consideration.

Sincerely,

Gerard Keegan
Vice President, State Legislative Affairs

THE CITY OF DULUTH MINNESOTA

Emily Larson
Mayor

Room 422
411 West First Street
Duluth, Minnesota 55802

218-730-5230
elarson@duluthmn.gov

May 5, 2023

Chair Rest, Chair Gomez, and Tax Conferees:

I write to sincerely thank you for all your work this legislative session and for taking time during your committee meetings to hear about important tax provisions that impact the City of Duluth. I would like to highlight the importance of several of those provisions that are included in the House and Senate omnibus tax bills:

Tourism Sales Tax Extension (HF 2382/SF 2275)

The extension of Duluth's tourism sales taxes included in the House omnibus tax bill would enable the Duluth City Council to extend an existing one-half-of-one-percent increment in local tourism tax to help fund $36 million in improvements to our public athletic venues. These facilities support regional tourism, lower barriers to healthy living, and enrich the quality of life of the people of northeastern Minnesota. They are powerful economic drivers for the region; Duluth's youth hockey facilities alone contribute approximately $6 million per year to the regional economy and attract more than 13,000 spectators annually. Investment is critical because Duluth's most important athletic venues are 50 to 100 years old and are increasingly deteriorating. Extension of this tax would breathe new life to Duluth's storied athletic venues and extend their far-reaching socioeconomic benefits for future generations.

Regional Airport Property Tax Reduction (HF 1471/SF 1289)

This provision, included in the House omnibus tax bill, would modify the property tax net capacity and result in a 50% reduction of the property tax allocation for aircraft related businesses that are located and operate at regional airports in cities with populations between 50,001 and 150,000. Businesses located at airports in cities with populations below 50,000 currently pay no property taxes whatsoever. This change would support economic development for the aviation business cluster by encouraging capital investment and job creation at regional airports and help increase the overall tax base in the State. This provision was included in the omnibus tax bill from the 2022 legislative session, it will not reduce the levy amounts collected by any of the taxing jurisdictions, and will sunset after 12 years.

Tax Increment Financing ("TIF") Provisions for Regional Exchange District and Lot D Redevelopment (HF 2412/SF 2539 and HF1871/SF 1776)

Provisions in both the House and Senate omnibus tax bills exempt the Reginal Exchange District ("RED") from some existing TIF language requirements. The language would expand the current RED boundary by 6 square blocks (or approx. 11 % more by area) which incorporates some of the most economically challenged census tracts in Duluth. These changes will encourage private capital investments on existing properties where blighted buildings have already been removed (or on properties that are currently serving as surface parking lots) and thus would not be eligible under the existing TIF statue requirements. Changes will encourage redevelopment in properties located within the RED through 2051 that may include potential mixed-use commercial, retail, and housing projects.

Provisions in both House and Senate omnibus tax bills related to the Lot D site would provide for site clean-up and redevelopment of the last remaining undeveloped water front parcel in Duluth. The site has immense potential but faces some unique challenges. This language will allow for the establishment of multiple redevelopment TIF districts to match the anticipated phased development of the site (House bill provides an undefined number of TIF districts, Senate bill allows for two TIF districts). Funds will be used for site preparation, demolition, and soil correction and other public infrastructure improvements which include reconstruction of the seawall and raising the grade to improve and stabilize the site. Work will also include extending essential utilities, road and pedestrian infrastructure, and public access. The project will result in the creation of up to 500 units of housing as a priority and benefit key businesses that are struggling to recruit employees (Essentia, St. Luke's, Cirrus, Minnesota Power, etc.). This redevelopment will provide a home for University of Minnesota – Duluth's renowned fresh water and research center and provide a birth for the research vessel Blue Heron. Finally, redevelopment of the Lot D site will facilitate and enhance the Canal Park to Lincoln Park interconnection and improve the pedestrian access and walkability between these two important neighborhoods.

Local Government Aid

Local Government Aid ("LGA") represents the largest single source of revenue for the City of Duluth 's general fund at $30.8 million or 29% of total general fund revenue and is among the City of Duluth's top legislative priorities. Increasing LGA and indexing it to inflation each year thereafter is crucial for City budgets like Duluth's. Without an increase, and without tying it to inflation each proceeding year, the City of Duluth's budget will continue to face constraints that are not sustainable.

Unlike other large cities in Minnesota, Duluth is a 26 mile-long city built on a steep rocky hillside alongside the largest freshwater lake in the world, creating climate, infrastructure, and public safety staffing challenges. LGA will relieve some of the tax burden on households in Duluth, where median income is just $58K and 17.5% of people live in poverty. This year alone, due to rising healthcare costs, looming economic hardships, and inflation, the City's budget is on a razor's edge. Throughout the years, LGA has been cut or remained flat losing its buying power, until the City saw a modest increase in 2020. Given the State's surplus and a renewed interest in restoring LGA levels across the state, the City respectfully implores the State to provide its cities the resources they need to continue to provide services to residents and visitors. We strongly support the House LGA position for an increase of $100 million and tying future LGA allocations to inflation.

Thank you again for all your hard work this session and for your dedication to Minnesota. If you have any questions about any of these provisions or need anything from the myself or the City, please contact our lobbyist Sam Richie at (218) 301-9758 or at srichie@fryberger.com.

Sincerely,

Mayor Emily Larson

Protect Minnesota Charities!

April 5th, 2023

Dear Chairs and Members of the Conference Committee,

The Electronic Gaming Group (EGG) is a trade association that represents the manufacturers, distributors, and nonprofit operators of charitable gaming equipment and software. We are writing to you today to express our strong opposition to the House language related to electronic pull tabs.

Charitable Gaming is a $4.5 billion dollar industry. Last year alone, nonprofits brought in over $130 million dollars in gaming revenues to contribute to their charitable causes. The state brought in over $180 million dollars in charitable gaming tax revenue during that same period, and we expect this number to reach about $200 million dollars in this fiscal year.

As of this year, electronic pull tabs now make up over 54% of all charitable gaming done in Minnesota.

Unfortunately, the House language presented today contains a provision that would gut Minnesota's charities. A ban on the "open all" feature of electronic pull tabs would be an effective ban on ALL electronic pull tabs. This feature is a staple of the industry and has been a part of electronic pull tabs since their inception in 2012. The feature exists on essentially all games currently in circulation.

The proponents of the language argue that this is in response to a recent court ruling that requires the state to remove this feature from one of the games.

This is incorrect.

The February 2023 ruling by the Minnesota Court of Appeals did not declare that any feature was illegal. It does not direct the legislature to act, or declare that the Gambling Control Board (GCB) interpreted statute incorrectly when approving games since 2012. The Court's decision only narrowly concluded that a March 2019 email from a GCB employee constituted an unpromulgated rule, and that it could not be used as a basis for approving games.

The GCB and the Assistant Attorney General who represents the GCB, confirmed during the GCB's March meeting that the Court of Appeals decision did not find that any existing e-pull tab games are illegal or that the statute had been violated. They also confirmed that the case-by-case review and approval process followed by the GCB since September 2012 is proper and would be continued.

For these reasons and many others, the Electronic Gaming Group urges the committee to reject language that would be harmful to Minnesota's nonprofits.

Thank you for the opportunity to express our position on this very important matter.

Sincerely,
Sam Krueger
Executive Director

MINNESOTA INTER-COUNTY ASSOCIATION

Sent Via Email

May 5, 2023

Representative Aisha Gomez, Chair
House Taxes Committee
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Senator Ann Rest, Chair
Senate Taxes Committee
328 Minnesota Senate Building
95 University Avenue W.
Saint Paul, MN 55155

Dear Chair Gomez, Chair Rest, and Tax Conference Committee Members:

On behalf of the Minnesota Inter-County Association (MICA), representing fifteen of Minnesota's larger and faster growing counties, including four suburban and eleven in Greater Minnesota, thank you for your work on HF1938 and HF1938UE (SF1811).

Comprehensive property tax relief is a top priority for MICA this session, including increasing County Program Aid (CPA) and payment-in-lieu of tax (PILT) payments to levels that more closely reflect the historic state-county fiscal partnership. For example, in 2002, general-purpose state aid to counties amounted to about 2% of state general fund spending and 14% of county levy plus aid. By 2023, those aids have fallen to less than 1% and less than 7%. Meanwhile, reliance on property tax levy as a share of total county revenues has steadily increased.

We recognize that comprehensive property tax relief involves general-purpose aids, as well as direct refunds and tax base policies that minimize tax shifting as a means of providing tax relief for narrow groups of property taxpayers. Within that framework, we appreciate that both bills include provisions aimed at moderating upward pressure on property taxes. As differences between the House and Senate are resolved, we respectfully urge conferees to support the House approach to general-purpose aids and a combination of House and Senate property tax relief provisions more broadly. Specifically, we:

- **Support House Article 4, Sections 13-14** – increasing County Program Aid (CPA) by $100,000,000 beginning in 2024 and increasing that appropriation to reflect annual cost increases beginning in 2026. We recognize that the $40 million annual increase proposed by the Senate and the Governor would be substantial when compared to recent state actions to restore CPA funding levels, it is well below the level that CPA would be at if state appropriations had simply kept pace with rising costs over the past twenty years. Additionally, the 2023 legislature is poised to adopt multiple new statewide policies that will increase county costs. For example, we estimate that implementation of Paid Family and Medical Leave (PFML) alone could require premiums of $11 to $22 million annually for county governments. While PFML and other new laws are aimed at addressing broader economic and policy goals, the budget impacts for local partners must be considered when setting CPA levels at amounts that support meaningful property tax relief.

- **Support House Article 4, Sections 15-17 and 24** — increases PILT payments from $2 per acre to $3 per acre for county-administered and Department of Natural Resources-administered other natural resources land, prevents appraised values for acquired natural resources land from decreasing from one appraisal to the next, and indexes PILT per acre payment amounts to inflation for these natural resources lands that are disproportionately located in Northern counties. The House approach would more closely align per acre payments to a level that reflects the diminished value of those payments over time and would not lower or impact PILT payments for other types of lands received by counties across the state.

- **Support House Article 5 – Section 14** and Governor's proposal to provides a temporary sales tax refund exemption for construction materials used or consumed in the construction, reconstruction, repair, maintenance, or improvement of buildings or facilities if purchased after June 30, 2021, and before January 1, 2025. A permanent, universal refund exemption for all sales tax paid would strengthen tax policy by overcoming technical barriers that result in local taxes to pay state taxes under current law, all while diminishing resources available for critical local infrastructure projects. We support this temporary but universal approach as a critical step to a permanent solution that treats all local purchases fairly.

- **Support Senate Article 13, Section 7** – statutorily appropriating 15 percent of solid waste management tax (SWMT) proceeds for SCORE grants to counties beginning in FY2027. The SWMT was envisioned as user tax to help offset costs for programs aimed at waste reduction, reuse, recycling, and effective waste management. However, those revenues have never been fully dedicated to solid waste efforts, with 30% instead being deposited into the state General Fund. Despite substantial investment of local resources, county governments are unable to fund programs needed to help meet state recycling standards. We appreciate that House Article12, Section 12 redirects five percent of SWMT to SCORE grants beginning in 2024. We urge the final bill to permanently assign at least 15% of these revenues to SCORE grants, and to plan to phase up from the House position to the Senate position by 2027.

- **Support Senate Article 3, Section 23** increasing the homestead market value exclusion by approximately 25% percent. The proposed exclusion would equal 40% of the first $95,000 of market value and phase out for home value above $517,200 of value. The proposal reflects an increase in the home value at which the maximum exclusion occurs from $76,000 of home value under current law, and at $80,300 under the House Tax bill. The exclusion effectively acts as a reduced class rate for all homeowners up to the maximum exclusion level. The exclusion thresholds, however, have remained static since 2012 even though home values have risen substantially resulting diminished benefit from the exclusion and increased property taxes for impacted homeowners. Home values, for example, have increased by an average of 17.2% in just the past year. This change would help moderate property tax levels for homeowners as a class of property.

- **Support Senate Article 3, Section 30-33 and House Article 3, Section 21-24** – expanding Senior Property Tax Deferral program. This change promotes housing stability and helps allow more seniors to remain in their homes and communities.

- **Support the Senate Article 3, Section 29** – providing for additional ('targeted') Property Tax Refunds by permanently reducing from 12% to 10% percent, the threshold to qualify for the additional or "targeting" property tax refund, and increases, from $1,000 to $2,000, the maximum refund allowed, and would also support House Article 4, Section 26 temporarily increasing the additional targeting for refunds payable in 2023 only (based on 2023 property taxes payable), provides for increased refunds by reducing from 12 percent to six percent, with a maximum refund would be $2,500.

- **Support House Article 3, Sections 17 – 19** – simplifying recently enacted truth in taxation (TnT) statement requirements directing inclusion of certain supplemental budget information for the county, city, and school district on the statement for each parcel.

- **Senate Article 3, Sections 26 – 27 and House Article 12, Sections 7-8** – removing a ten percent minimum interest rate on delinquent property taxes and repurchase agreements.

County governments have also experienced increased costs to hire and retain public safety staff, fund elections, address increasing prevalence of homelessness statewide, and respond to a lack of affordable and workforce housing. We appreciate that the House, Senate, and Governor have each proposed funding for those critical functions. Our priority is for increased, flexible county program aid. Funding for these dedicated efforts would also be welcome in addition to CPA reflecting the House level.

Finally, we urge the conference committee to minimize or avoid inclusion of property tax relief provisions that are funded by shifting tax onto other properties.

Thank you for your consideration of the comments as you work to resolve differences.

Matthew D Massman

Matt Massman, *Executive Director*
Minnesota Inter-County Association

Blue Cross and Blue Shield of Minnesota
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Dana Erickson, RRT, RN, BSN, CCMM
President and Chief Executive Officer

BlueCross BlueShield Minnesota

May 5, 2023

Dear Governor Walz and Legislative Leaders:

Blue Cross is a nonprofit health plan providing health coverage and services across all eighty-seven counties in Minnesota and strongly supports the Governor's Child Tax Credit (CTC) proposal. Working in partnership with health care providers and community organizations, Blue Cross has a long history of caring for the state's most vulnerable populations and is committed to advancing racial and health equity (https://www.bluecrossmn.com/about-us/us-corporate-social-responsibility/health-equity).

Evidence shows a clear connection between tax credits and improving health outcomes, especially for poor children (The 2021 Child Tax Credit: Implications For Health | Health Affairs). The documented success of the expanded federal Child Tax Credit demonstrates the immense potential that state CTCs can have for reducing poverty and racial inequities, improving health and education outcomes, increasing family budgets, and enhancing the lifetime potential of Minnesota's most valuable resource: our children.

Blue Cross remains steadfastly committed to racial and health equity by supporting the Governor's full proposal for Child Tax Credit as that amount has the best evidence for impact on health upstream in social and economic conditions. This desire for justice guides us in our journey to pave the way for everyone to achieve their healthiest life.

If you have questions about this issue or want to further discuss it, please don't hesitate to reach out to Lin Nelson, VP of Public Affairs (651-336-2742 or lin.nelson@bluecrossmn.com) or Vayong Moua, Director of Racial and Health Equity Advocacy (612-229-2953 or vayong.moua@bluecrossmn.com).

Sincerely,

Dana Erickson

Governor Walz, Lieutenant Governor Flanagan, Housing Commissioner Ho, and Minnesota Legislators,

Our seniors are facing a homelessness crisis. The affordable housing developer Dominium is choosing to raise their monthly rent to the maximum allowed under state law, causing our seniors to face monthly increases of hundreds of dollars. With many on already fixed incomes, the proposed 12.5% monthly rent increase will stretch many further than they can handle. This is without mentioning that Dominium consistently has raised rents more than twice that of other affordable housing developers in the Twin Cities - all in light of the corporation's $500 million made in profit last year[1], numerous tax breaks and state and federal dollars obtained to build many of these facilities. These concerns were first raised during the summer of 2022 when residents of the Dominium senior living facility in Coon Rapids rallied for a 3% rent increase cap and were granted it[2]. Now Dominium is unwilling to extend this same offer to other buildings.

In a meeting with Governor Walz's staff on April 19th, 2023, residents shared their heartbreaking stories of how the 12.5% rent increases will harm them - rationing food and medication, selling their only car for pennies on the dollar, moving back in with family or ex-partners, and facing a growing reality of living on the street. Staff members empathized with the seniors and recognized the difficult situation they are facing, but stated that since **HF 2676, and SF 2590,** the bills that would cap rents at these facilities did not pass through all committees in both chambers, it was unlikely to be passed this year and the stakeholders should plan to bring legislation forward at the beginning of next session. Senator Hoffman attempted to provide this same concept as an amendment on the Senate Omnibus Tax bill.

Frankly, our seniors cannot afford to wait until next year for action - doing so will lead to further suffering and homelessness of seniors that our cities are not equipped to support. For precedent, we need to look no further than Wisconsin[3] and Pennsylvania[4] who recently instituted rent caps for similar facilities.

Not only is this an economic justice issue, but also a racial justice issue as many of these "affordable housing" developments have many tenants who are immigrants and people of color.

Our communities brought Dominium properties into our cities with the dream that they would be a partner in curing our affordable housing crisis, not exacerbate it. We are in dire need of your help before rents are increased when the new AMI is released in mid-May - our seniors are depending on it.

Respectfully,

Amáda Márquez Simula
Mayor, City of Columbia Heights

Justice Spriggs, M.D.
Council Member, City of Columbia Heights

Rachel James
Council Member, City of Columbia Heights

Connie Buesgens
Council Member, City of Columbia Heights

Kt Jacobs
Council Member, City of Columbia Heights

Kari Rehrauer
Councilmember, City of Coon Rapids

Kissy Coakley
Councilmember, City of Minnetonka

Lisa Dircks
Councilmember, City of Spring Lake Park

Barbara Goodboe-Bisschoff
Councilmember, City of Spring Lake Park

Ken Wendling
Councilmember, City of Spring Lake Park

Lori Saroya
Councilmember, City of Blaine

Yakasah Wehyee
Councilmember, City of Falcon Heights

* References on next page

References:

1. https://incfact.com/company/dominiummanagementservices-plymouth-mn/

2. Letter from Dominium Properties in regards to rent cap request from Coon Rapids, MN.

DOMINIUM

May 23, 2022

The Honorable Zack Stephenson
509 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd
Saint Paul, Minnesota 55155

Dear Representative Stephenson,

On behalf of Dominium, I can confirm that rents for residents of the River North apartment community in Coon Rapids, Minnesota will not be increased by more than three percent (3%) in 2023.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Paula Prahl
Partner, Chief Policy and Corporate Affairs Officer & Executive Vice President
Dominium

3. https://www.wheda.com/globalassets/documents/tax-credits/htc/2023/qap-final-2023-24.pdf
4. https://www.phfa.org/forms/housing_management/agency_financed/manuals_and_documents/chapters/hm-ph-chapter20.pdf

LMC LEAGUE of MINNESOTA CITIES

May 5, 2023

Representative Gomez, Senator Rest, and members of the Tax Conference Committee:

On behalf of the 837 members of the League of Minnesota Cities, we appreciate the opportunity to share written testimony regarding the League's positions on provisions contained in the House version (the third engrossment) and the Senate version (the second unofficial engrossment) of the omnibus tax bill.

Local Government Aid
The League strongly supports *House Article 4 Sections 12 & 14* which increase the local government aid appropriation by $100 million and indexes the appropriation for inflation. We view this as an important step in restoring the state-local fiscal partnership in Minnesota. LGA can help cities pay for core services such as public safety, street maintenance and repairs, economic development, and housing. In 2002 LGA represented 4.1% of the state general fund budget, today it equals just 2.1%. As LGA as a percentage of city and state budgets has declined over the last 20 years, unfunded mandates placed on local governments have increased. And while other aids to cities must be spent on specific spending items, LGA is the only one that can be used for property tax relief. Indexing Local Government Aid for inflation will also make the formula more responsive to city needs in the future without relying on appropriation increases.

The League supports *House Article 4 Sections 4-11/Senate Article 4 Sections 1-10* which include the LGA formula update recommendations from the League of Minnesota Cities, the Coalition of Greater Minnesota Cities, Metro Cities and the Minnesota Association of Small Cities.

Construction Sales Tax Refund
The League strongly supports *House Article 5 Section 12*, the provision that would provide a sales tax refund process for construction materials purchased by contractors and used in public facilities and public infrastructure. The provision is temporary and is effective retroactively from July 1, 2021 through December 31, 2024. It makes no more sense for the state to charge sales tax to local governments than it would local governments charge property tax to the state. And providing a statewide refund for these purchases would treat qualifying entities across the state equally, without an advantage for specific projects that are brought before the legislature. The retroactive portion of this provision would help address high inflation which had a significant impact on construction costs over the past few years. All cities will benefit from this simplified exemption at some point, so we urge the conference committee to include some version of this proposal.

Direct Property Tax Relief
The League generally supports the homestead credit refund and increasing the amounts as proposed in *House Article 4 Section 2*. The League also supports lowering the threshold and increasing the maximum refund for the Targeted Property Tax Refund, as proposed in *Senate Article 3, Section 29*. These programs assure that the tax burdens do not overly burden individual homeowners and achieve targeted relief

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without creating tax shifts to other types of property. The League is generally supportive of increasing participation in property tax refunds as *House Article 7* intends by converting the Renters Credit to an income tax credit. The League also supports *House Article 4, Sections 25-26* which would provide one time property tax relief at a time of inflation and rising property tax residential valuations.

General Local Sales Tax Changes
The League is either neutral or supportive of the numerous clarifications and technical changes to the general local sales tax statute include in *Senate Article 9, Sections 1-3*. Section 3 includes a change to clarify the date on which a local sales tax referendum must be conducted. The existing language in statute specifies only that the election be held at a general election which raises confusion about whether the referendum must be held in conjunction with a city's election or at any November election. "General election" is not defined in Minn. Stat § 297A.99, the statute governing local sales taxes however Minn. Stat. § 200.02 defines general election to mean "an election held at regular intervals on a day determined by law or charter at which the voters of the state or any of its subdivisions choose by ballot public officials or presidential electors."

4d Classification Rate
The League has concerns with a flat 0.25% classification rate for all 4d property, as proposed in Article 3 Section 21. At a time when residential valuations are rising faster than any other property type, creating new shifts will put a strain on homeowners in jurisdictions with larger amounts of 4d property. Additionally, in 2021 the legislature passed a property tax break for 4d property that has yet to impact 4d property taxes. That change reset the class break from $174,000 to $100,000, where it had been originally set in 2013. 4d properties will benefit from that law change for the first time this May. That change addressed the concerns that was raised at the time, that inflation had eroded the benefit that the second tier rate was intended to provide.

Public Safety Aid
The League is generally supportive of the one-time allocation of public safety aid included in *Senate Article 4, Section 22*. While ongoing aid would be the best method to address the most significant public safety budget issues facing cities, we do appreciate this approach in the senate language which would address one time public safety needs for cities across the state.

Homestead Market Value Exclusion
The League is supportive of the language in *House Article 3, Section 15* and *Senate Article 3, Section 23* which increase the Homestead Market Value Exclusion. The language would increase the exclusion for most homesteads. Given that the exclusion has remained static for over ten years and the rapid increase in home values, LMC supports modifications to this exclusion to increase its benefit to qualifying homeowners. The two bills have different approaches on how to increase to this exclusion, LMC is neutral on the differences.

Historic Structure Rehabilitation Credit
The League supports the reinstatement of the Historic Structure Rehabilitation Credit as proposed in *Senate Article 1 Section 50*. Reviving the Historic Structure Tax Credit would support investment in historic preservation across the state, stimulate job growth, increase local tax bases, and help attract private investment to assist Minnesota cities.

Electric Generation Transition Aid
The League supports *House Article 4, Section 19/Senate Article 4 Section 16* that would establish a transition aid program for cities that experience the decommissioning of an electric generating power plant. This provision is critical to a handful of cities that are experiencing the decommissioning of an electric generating power plant.

Affordable Housing Aid
The League supports the inclusion of local affordable housing aid in *House Article 4, Section 22* of the bill. The establishment of new flexible state aid of $13.7 million annually to cities to address locally identified housing needs will further strengthen the state-local partnership when it comes to affordable and workforce housing efforts and bolster local innovation to address housing issues.

Workforce and Affordable Homeownership Development Program
The League supports the provision in *House Article 12, Section 27* that provides an additional $25 million in both FY 2024 and 2025 and $7.5 million ongoing annually for the workforce and affordable homeownership development account to support the existing Workforce and Affordable Homeownership Development Program. Additional funding for this important program will mean the development and rehabilitation of more critical workforce housing units needed to support local economic growth.

Election Reimbursement Account
The League is appreciative of the cost recognition that *Senate Article 13 Sections 1-2* has for local officials that administer elections, particularly given new requirements and costs being placed on elections administrators for early voting. However, we prefer the approach taken in *HF 1830 Article 5, Section 4*, the state and local government finance bill.

Tax Increment Financing
We support the technical tax increment financing general law changes included in *House Article 8/Senate Article 8*. We want to thank the Office of the State Auditor for facilitating discussions with cities, counties, school districts to address some technical but important ambiguities in state statute. We also support the small provision in *Senate Article 7, Section 1* that changes the definition of a 'small city' by reducing the distance required between qualifying cities from 10 miles to 5 miles.

Sincerely,

Nathan Jesson

Nathan Jesson
Intergovernmental Relations Representative

Daniel Lightfoot

Daniel Lightfoot
Intergovernmental Relations Representative

MASWCD

Minnesota Association of Soil and Water Conservation Districts
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May 5, 2023

Conference Committee on HF 1938/SF 1811, Omnibus Tax Bill

Chairs Gomez and Rest and Conference Committee Members,

On behalf of the Minnesota Association of Soil and Water Conservation Districts (MASWCD), I want to share our gratitude for the Soil and Water Conservation District State Aid provisions included in both the House and Senate language. SWCD Aid would establish a desperately needed standing, statutory appropriation of general funds from the Department of Revenue to Soil and Water Conservation Districts (SWCDs) statewide, similar to state aids for other elected units of local government.

We do, however, need to express concerns about the level of funding in the bill. With the Senate position at $12,723,000 per year, and the House position at $22 million for the first two years but then decreasing to $14 million per year, SWCDs will continue to be significantly limited in their ability to hire and retain staff needed to tackle water quality and soil health priorities.

The attached handout explains the essential services our SWCDs provide in order to meet their statutory duties. It also highlights the corresponding funding needs, and sources of existing and proposed funding. Even with the $22 million for SWCD Aid that we are seeking, our statewide conservation delivery system will still be facing a shortfall. **We are seeking a reasonable step forward in the state's share of funding SWCDs, and not asking for a complete solution to our funding challenges.**

In the coming months, Minnesota SWCDs will be working hard to leverage federal funding from the Inflation Reduction Act and climate smart agriculture initiatives, working cooperatively with agricultural producers and others to make our landscapes more resilient. But like state funding for SWCDs and local partners to implement our state approved comprehensive watershed management plans, these are project dollars and do not fund the people – the boots on the ground – necessary to work cooperatively with private landowners to get the projects implemented. **At $22 million per year, SWCDs statewide will be able to hire and retain the conservation professionals needed to deliver state programs and compete for federal funds.**

Again, thank you for including SWCD Aid in both House and Senate Omnibus Tax Bills, and for supporting this funding mechanism for Minnesota's statewide conservation delivery system. **We urge you to reconsider the funding level and establish SWCD Aid at $22 million per year.**

Sincerely,

Chuck Rau
President, Minnesota Association of Soil and Water Conservation Districts

MASWCD

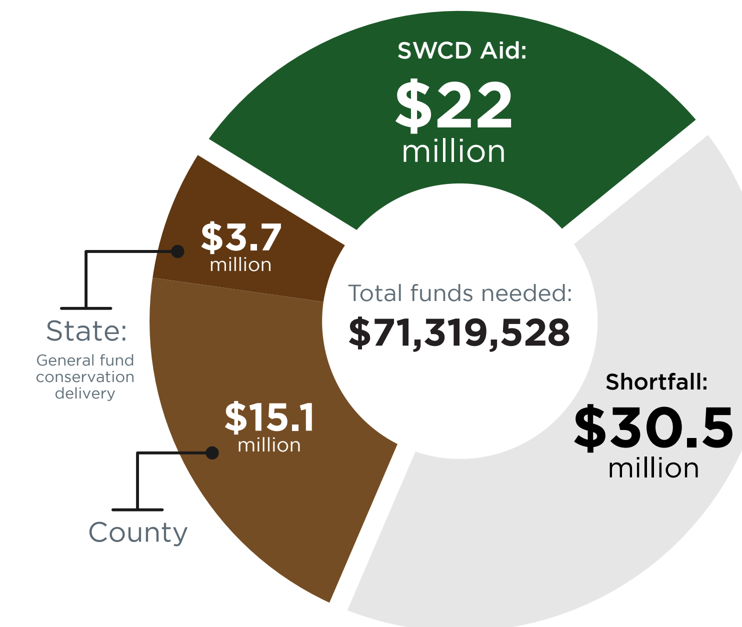
SWCD STATE AID: What is local capacity for SWCDs?

Defining the essential services of a modern soil and water conservation district (SWCD)

The Minnesota Association of Soil and Water Conservation Districts and the Minnesota Board of Water and Soil Resources (BWSR) define "local capacity" as the readiness of soil and water conservation districts to plan, identify, and successfully implement district statutory obligations and private lands conservation. Funding local SWCD capacity leads to districts that can execute priorities and commitments. SWCDs are Special Purpose Local Units of Government organized under Minnesota Stat. Chapter 103C.

SWCDs facing shortfall to deliver essential services

BWSR and Houston Engineering, Inc. completed a needs assessment in summer 2022 and calculated a total annual funding need of $71.3 million. This funding amount represents the cost of operating at base capacity to deliver the essential services outlined in the table for all 88 Minnesota SWCDs and the SWCD duties at Hennepin and Ramsey Counties. With state capacity support of $22 million in SWCD Aid, there remains a $30.5 million unmet need to fully fund the essential services of SWCDs. The statewide investment of $22 million in SWCD State Aid is a step toward building greater ability of our state's SWCDs to continue advancing our shared clean water and soil health goals through locally led conservation projects on private lands.



OPERATIONS, BOARD GOVERNANCE & POLICY	TECHNICAL EXPERTISE	PUBLIC INFORMATION EDUCATION	RESOURCE PROJECTS & PROGRAMS IMPLEMENTATON	TECHNICAL ROLE WITH REGULATORY PROGRAMS	DATA & MONITORING	TECHNOLOGY & EQUIPMENT
District strategic planning & budget development Board notices, meetings, proceedings & elections Board policy development Policy support & advocacy with local, state & federal officials/ partners Required public notices & reporting Personnel & human resources management, recruitment, laws, rules & regulations Grant & contract management Financial policies, accounting, reports & audits Intergovernmental communication, coordination & agreements Coordination with county board & departments Training for board & staff	Knowledge of local land, soil, water, forestry, plant & wildlife resources Technical evaluations & assessments of resource concerns Resource management planning at field, watershed or landscape scales Knowledge of conservation practice standards Survey, design, construction, & inspection of practices & projects Ecological training, job approval authority & credentialling Engineering training, job approval authority & credentialling GIS/mapping skills for data analysis, targeting & measuring implementation	Public awareness of the district role & benefits of conservation Public engagement & support for locally led soil & water conservation solutions Landowner knowledge of conservation program opportunities through one-on-one assistance/engagement Landowner knowledge of conservation program opportunities through general outreach **Outreach strategies include:** • Website/social media • Field events/tours • Local media relations • Newsletter, mailings, marketing, promotions • Youth education events • Invitations to resource planning events • Surveys	**Resource programs:** • Erosion control & water management e.g., cost-share • Conservation easements e.g., RIM/CREP • Comprehensive water management e.g., 1W1P/ Local Water Planning/WBIF • Feasibility studies • Disaster response • Equipment rental **Resource projects:** • Improved surface & ground water quality & quantity • Reduced soil erosion & sedimentation • Increased soil health • Improved or created forestry landscapes • Improved or created wildlife & pollinator habitat • Climate resiliency • Water retention	Knowledge of federal, state & local regulations Facilitate local processes for impacted/regulated landowners WCA landowner assistance & technical evaluation panel Buffer Law landowner assistance & compliance Technical review & comment on permits, planning & ordinances Delegated program responsibilities by other authorities (e.g., feedlot, SSTS, drainage & shoreland/floodplain Support for MS4 permit & SWPPP implementation	District baseline knowledge of resource conditions & trends analysis Analyze, interpret & present data to support program/ project implementation & evaluation Monitoring & data sharing to support local programs & coordination with other partners. Measurement of progress	Technology, communications infrastructure for office & mobile workstations Technology for linking producers/landowners with conservation plans Computer hardware, software & licenses GIS software capability Modern survey equipment & CAD software District office space, storage, furniture, equipment & supplies Vehicles Field equipment Licensed drone operations

Spring Lake Park
History. Community. Home.

May 8, 2023

Honorable Members of the House-Senate Taxes Conference Committee
State Capitol Building
75 Rev Dr Martin Luther King Jr Boulevard
St Paul, MN 55155

Dear Conference Committee Members:

I write to you today with great concern over proposed changes to electronic pull tabs in our state. As the Mayor of Spring Lake Park, I have seen firsthand the positive impact that e-pulltabs have had on our local bars, restaurants, charities and community.

Nearly a decade ago, Minnesota made the decision to embrace electronic pull tabs as a way to fund US Bank Stadium and modernize the old-fashioned paper pulltabs that had been a vital source of funding for local charities. E-pulltabs have been a success, taking in nearly 46% of all charitable gaming revenue. These new revenues are supporting a variety of charities, including fire relief associations, youth sports organizations, veteran organizations, Lions and Rotary clubs and homeless shelters. Now, it appears that the Legislature is poised to pull the rug out from underneath these organizations.

The proposed limits on e-pulltabs, which would go into effect next fall, would have a devastating impact on small businesses and more than 1,300 local charities across our state. According to a legislative fiscal analysis, local bars and restaurants alone would lose an estimated $29.25 million in revenue, local wages would drop by $35 million, and local charities would lose $33 million a year. This would be a massive blow to our State's economy, especially as local bars and restaurants are still rebounding from the COVID-19 pandemic.

Locally, the proposed e-pulltab limits would have a detrimental effect on the Spring Lake Park Lions Club, which over the past year has used charitable gaming revenues to support residents in need, Alexandra House, the SACA food shelf, our community festival, school sponsored events and many other worthy causes that improve the quality of life in our community.

I urge you to reject the language limiting e-pulltabs from the final Conference Committee report.

Sincerely,

Robert Nelson

Robert Nelson
Mayor

City of Spring Lake Park
1301 81st Avenue NE | Spring Lake Park, MN 55432
P) 763-784-6491 F) 763-792-7257
www.slpmn.org

Memorial Blood Centers

737 Pelham Boulevard, Saint Paul, MN 55114
Phone 888.448.3253 **Fax** 651.332.7001
mbc.org

May 5, 2023

Dear Members of the Omnibus Tax Conference Committee:

I am writing to urge you to include the sales tax exemption for nonprofit blood centers in the final Omnibus Tax Bill.

I am the Vice President of Operations at Memorial Blood Centers, a 501(c)(3) nonprofit blood center that has been operating in Minnesota since the late 1940s and that currently supplies approximately 70 percent of the blood and blood components used in Minnesota. Memorial has about 300 full-time employees and supplies blood and blood components exclusively to hospitals, including M Health Fairview, Hennepin Healthcare, North Memorial, the Essentia hospitals and Children's Minnesota. Memorial has held a Minnesota sales tax exemption under the public charity exemption since the late 1960s, soon after the creation of the Minnesota sales tax. The American Red Cross is the only other nonprofit blood center that operates in Minnesota and it is exempt from Minnesota sales tax as a government instrumentality.

Memorial Blood Center is seeking a statutory sales tax exemption because of a recent interpretation by the Minnesota Department of Revenue suggesting that Memorial's sales tax exemption application under the public charity exemption should be denied for the years beginning January 1, 2020. Losing our sales tax exempt status would jeopardize our longstanding and prominent footprint in Minnesota because we would need to raise prices on our blood products and reduce administrative costs in order to operate. All the employees of Memorial Blood Centers, the hospitals we serve and the patients who receive our blood ask that you include the sales tax exemption for nonprofit blood centers in the final 2023 Omnibus Tax Bill.

Thank you for your consideration of this important sales tax provision.

Kathy Geist
Vice President of Operations
Memorial Blood Centers

Memorial Blood Centers | 75 Years of Saving Lives

Who we are. Memorial Blood Centers (MBC) has been saving and sustaining lives as a nonprofit, charitable organization since 1948 and is now in its 75th year of serving Minnesota.

The need for a coordinated system to receive, store, and distribute blood became clear during World War II. It was then that the Minneapolis Jaycees and Minnesota medical professionals founded The Minneapolis War Memorial Blood Bank, which now operates as MBC. Hubert H. Humphrey was one of the first Minnesota citizens to donate, and the organization continues to rely on the local community to donate blood to help ensure the availability of a safe and stable blood supply throughout the state.

Saving lives through blood and biomedical services is core to MBC's purpose in the community and for hospitals and patients (please see flipside of handout for a list of hospital partners). As a vital community resource to Trauma Centers and Critical Access Hospitals, MBC supplies roughly 70% of blood products used in Minnesota and affects hundreds of thousands of Minnesotan lives each year.

What we do. MBC employs close to 300 people in Minnesota and coordinates the activities of hundreds more volunteers. MBC employees collect the blood, transport it to our headquarters in St. Paul where every unit is tested for infectious diseases and then made into individual blood components, and stored in inventory until distributed to our hospital partners. To meet the hospital and patient need, MBC must attract close to 4,000 volunteer donors to our blood drives and donor centers every week.

At our nine donor centers located in the Twin Cities and the Northland Duluth area, we collect close to 75,000 red blood cell units, 27,000 platelet units and 5,000 plasma units. We collect an additional 29,000 red blood cell units annually at over 800 mobile blood drives in Minnesota. Blood drive partners include corporations and community organizations, from the largest corporate citizens to congregations of faith, community service organizations, government agencies, schools and colleges. These events promote social responsibility and take place from International Falls to Lakeville, including Hennepin and Ramsey County, and a blood drive right here at the State Capitol building.

Who we serve. Because of community demand, MBC is a 24/7 organization, always standing ready to serve patients in need in Minnesota.

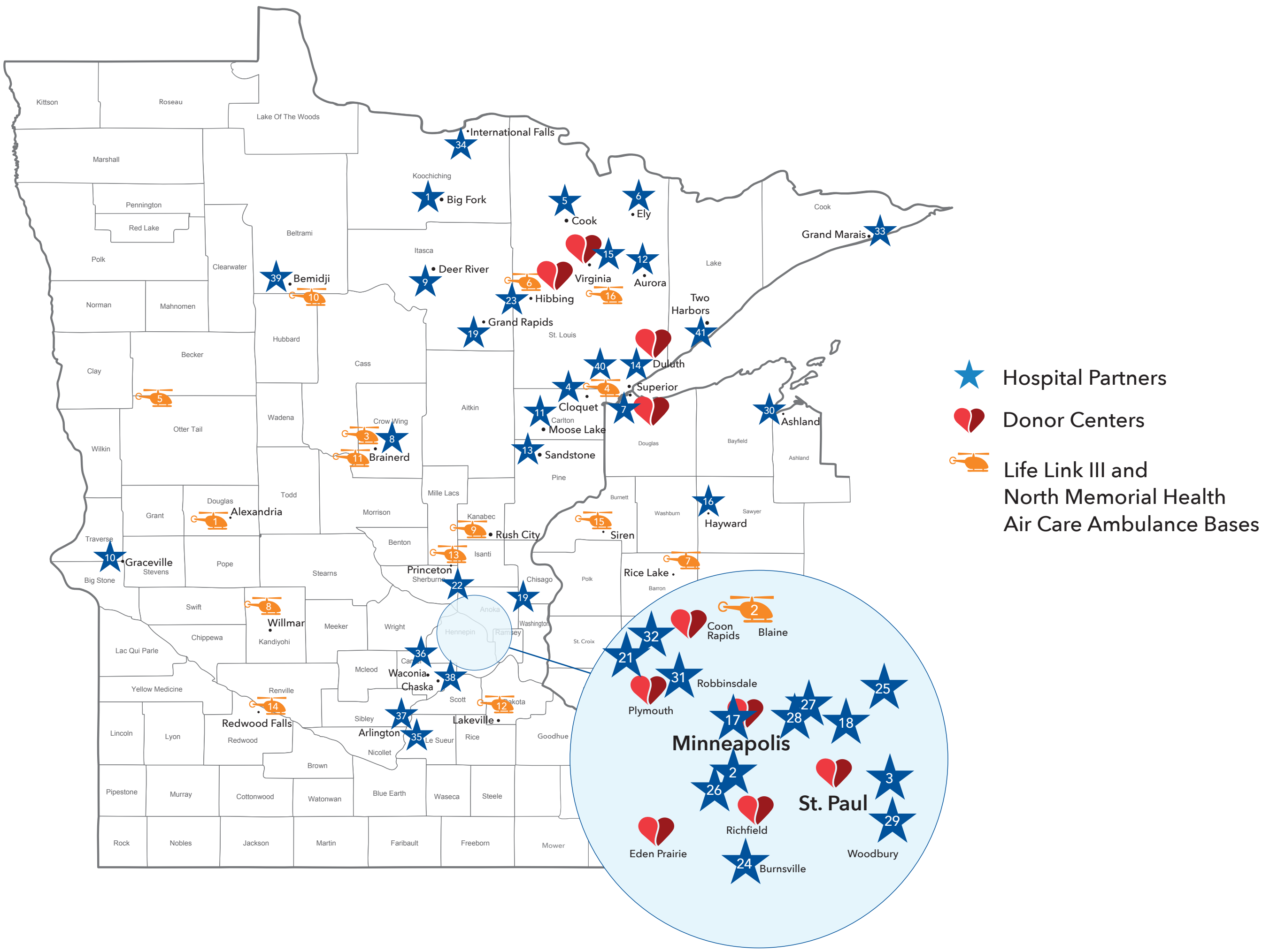
MBC proudly serves as the exclusive blood provider for 41 hospitals in Minnesota and provides life-saving blood for 16 Life Link II and North Memorial Health Air Care Ambulances. Current hospital and laboratory customers include M Heath Fairview, Hennepin Health, North Memorial, Children's Minnesota, Essentia Health, Mayo, University of Minnesota researchers, and many others.

Sales Tax-Exempt Status. MBC must purchase many items necessary to the safe collection, processing, testing and distribution of blood products. Given its life-saving work and the fact that MBC has always operated as a nonprofit, charitable organization, MBC has had a Minnesota sales tax exemption in place since the late 1960s. The loss of its sales tax exemption would have substantial social and economic consequences for Minnesota hospitals, patients, and the community as a whole.

On January 15, 2020, the Department of Revenue determined that MBC is no longer entitled to sales tax exempt status under Minn. Stat. Section 297A.70, subd. 4, even though MBC's operations and nonprofit status have not changed. MBC disagrees and has contested that determination. In an effort to remediate this unusual determination, a sales tax exemption for blood centers is included in Article 5, Section 5 of the Senate Omnibus Tax bill. Please include it in the final Omnibus Tax bill.

Serving our community

Minnesota and Northwestern Wisconsin Hospital Partners



1. Bigfork Valley Hospital, Bigfork
2. Children's Hospitals, Minneapolis
3. Children's Hospitals, St. Paul
4. Community Memorial Hospital, Cloquet
5. Cook Hospital, Cook
6. Ely Bloomenson Community Hospital, Ely
7. Essentia Health St. Mary's Hospital; Superior, WI
8. Essentia Health-Brainerd
9. Essentia Health-Deer River, Deer River
10. Essentia Health-Graceville
11. Essentia Health-Mercy Hospital, Moose Lake
12. Essentia Health-Northern Pines, Aurora
13. Essentia Health-Sandstone, Sandstone
14. Essentia Health-St. Mary's Medical Center, Duluth
15. Essentia Health-Virginia, Virginia
16. Hayward Area Memorial Hospital, Hayward
17. Hennepin Healthcare, Minneapolis
18. M Health Fairview Bethesda, Saint Paul
19. M Health Fairview, Grand Rapids
20. M Health Fairview Lakes Medical Center, Wyoming
21. M Health Fairview Maple Grove Clinics and Surgical Center
22. M Health Fairview Northland Medical Center, Princeton
23. M Health Fairview Range Medical Center, Hibbing
24. M Health Fairview Ridges Hospital, Burnsville
25. M Health Fairview Saint John's Hospital, Saint Paul
26. M Health Fairview Southdale Hospital, Edina
27. M Health Fairview University of Minnesota Medical Center - East Bank, Minneapolis
28. M Health Fairview University of Minnesota Medical Center - West Bank, Minneapolis
29. M Health Fairview Woodwinds Hospital, Woodbury
30. Memorial Medical Center, Ashland
31. North Memorial Health, Robbinsdale
32. Maple Grove Hospital, Maple Grove
33. North Shore Hospital, Grand Marais
34. Rainy Lake Medical Center, International Falls
35. Ridgeview Medical Center, Le Sueur
36. Ridgeview Medical Center, Waconia
37. Ridgeview Sibley Medical Center, Arlington
38. Ridgeview Two Twelve Medical Center, Chaska
39. Sanford Bemidji Medical Center, Bemidji
40. St. Luke's Hospital, Duluth
41. St. Luke's Lake View Memorial Hospital, Two Harbors

Memorial Blood Centers

888.GIVE.BLD • mbc.org

METRO CITIES
Association of Metropolitan Municipalities

May 5, 2023

Dear Members, Taxes Conference Committee:

Metro Cities, representing the shared interests of cities in the metropolitan area, appreciates the opportunity to comment on provisions in the tax bills that will be considered by the conference committee:

Metro Cities supports the updates to Local Government Aid (LGA) formula factors in the Senate and House bills. These updates reflect work by city associations, non-partisan legislative staff and the Department of Revenue to analyze and update demographic and other needs related data in the LGA formula to ensure that the formula reflects current city needs.

Metro Cities appreciates increases to the Local Government Aid (LGA) appropriation in bills and urges the committee to increase the appropriation by $100 million, as included in the House bill. Cities are addressing significant local needs that include staffing recruitment and retention challenges, including for public safety, and rapidly escalating costs for services and operations. Increasing the LGA appropriation is critical to ensuring that cities can fulfill state mandates and continue to be effective contributors to the state's economic prosperity and well-being.

Metro Cities supports provisions in the Senate and House bills that increase the value thresholds and maximum exclusion amount for the homestead market value exclusion.

Metro Cities' policies support state programs that provide direct property tax relief and supports provisions in the House bill that increase refunds and expand these programs.

Metro Cities supports addressing the process for the construction sales tax exemption and appreciates language in the House bill to generally address this issue through 2025.

Metro Cities supports clarifications and modifications for tax increment financing (TIF) laws in both bills that are a result of work among local governments and the Office of the State Auditor.

Metro Cities is concerned with the expansion of the 4d classification rate in the Senate bill due to the potential for tax shifts at the local level, particularly in communities with higher levels of 4d property.

Thank you for the opportunity to comment. Metro Cities looks forward to working with the conference committee as it finalizes work on a tax bill.

Best Regards,

Patricia Nauman

Patricia Nauman
Executive Director

May 2, 2023

Senate Tax Chair Ann Rest
House Tax Chair Aisha Gomez
Minnesota State Capitol Building
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155

Dear Senate Tax Chair Rest, House Tax Chair Gomez and Members of the Tax Conference Committee,

I am writing about the state New Markets Tax Credit bill, included in the Senate version of HF1938/SF1811. Midwest Minnesota Community Development Corporation (MMCDC) has utilized $674 million of federal NMTC allocation to assist many businesses throughout Minnesota with expansions and other investments over the past 18 years. NMTC financing leverages the tax credit investment with private capital, making it a very efficient public investment.

This state level bill would allow similar assistance in Minnesota at a deeper level, as Minnesota companies would not be competing with those in other states. With a maximum of $10 million of tax credits per business from all sources, it is focused towards smaller investments than the federal credits. The current entities in Minnesota utilizing the federal NMTC program are some of the most active in the country at providing this benefit to small businesses. MMCDC has provided NMTC financing as small as $250,000; half of our 118 projects financed with NMTC have been at or below $3 million. Further, I expect this will allow us to assist some of the companies that aren't as competitive per the census data, especially in Greater Minnesota.

Active Minnesota NMTC entities include MMCDC, Community Reinvestment Fund, Sunrise Banks, and Bremer Bank. US Bank, based in Minnesota, is a very active investor for NMTC and has indicated they would be interested in investing in these Minnesota credits. We have a strong working relationship with their tax credit group.

This bill will provide substantial benefit to Minnesota companies and the Minnesota economy for years to come. If you have questions or would like to discuss this bill, I would be glad to do so. My office number is 218-844-7019, or my cell is 218-252-4440.

Thank you,

Julia Nelmark

Julia Nelmark
President, MMCDC

COMMUNITY CO-OP FILLS HEALTHY FOODS GAP WHILE CREATING LOCAL JOBS

Highlights

- 104 jobs created
- Leveraged private and public funds
- Created access to healthy food
- Built using environmentally friendly, sustainable products

About Midwest Minnesota CDC

MMCDC provides commercial and home mortgage lending, as well as housing, business and community development services throughout Minnesota and the Midwest.

www.mmcdc.com

Borrower: Seward Community Co-op
Minneapolis, MN

Faced with capacity crowds at its existing store, Seward Community Co-Op needed to build two new sites in order to meet demand. MMCDC provided $8.48 million of the required $15 million in project financing.

Opened in 2015, these sites now offer new stores in an area with limited access to healthy food options. They are also home to a café, administrative offices, and a food production facility. In addition, the co-op has created new living-wage jobs with benefits for residents in the surrounding neighborhoods.

www.seward.coop

AURA FABRICATORS

Aura Fabricators Inc. is a family owned business, based in Dalton, MN, specializing in ornamental metal work, overhead highway signs and other miscellaneous metal fabrication. The company's core business is contracting with various states' Departments of Transportation throughout the Midwest as a metal fabricator. The primary service area includes work in Minnesota, North Dakota, Iowa, Kansas, South Dakota and Wisconsin but is also expanding nationwide.

Aura will continue fabrication operations at the Dalton, MN location; however, due to business growth the Dalton building has reached maximum capacity. To capitalize on the fabrication needs and support their continuing sales growth, the company pursued an expansion opportunity in the area. The Fergus Falls North Industrial Park had a suitable site for the facility needs. However, nearly all available cash was funding working capital needs to produce their products.

To help make this project a reality, Midwest Minnesota Community Development Corporation (MMCDC) provided a $1.5 million low-cost NMTC loan, combined with a non-cash equity contribution of $300 thousand from the owners. Bremer Bank provided equipment financing following completion of the building.

The $2.5 million dollar project will retain 10 jobs and create approximately 15 new ones. Aura has a positive reputation and provides great employee benefits including attractive wages, health insurance, and a retirement package. The company welders are AWS and state-certified for steel, aluminum, and stainless steel serving the construction and civil engineering markets. The company offers in-house drafting services, and their engineers can assist with customers' design.

In the fall of 2017, the 29,000-square-foot facility was completed and equipped, providing adequate space to increase capacity and take on new product lines. The new facility will also be an essential part of the company's quest to go nationwide as they continue to search for competitive advantages.

NMTC ALLOCATEE

Midwest Minnesota Community Development Corporation
Detroit Lakes, MN 56501
Julia Nelmark
218.844.7019

COMMUNITY PROFILE

- Fergus Falls, MN
- Median income 62.51% of Area Median Income
- Census tract poverty rate 25.40%
- TIF district
- Woman & Minority owned/controlled business

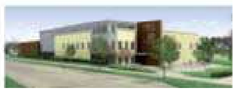
PROJECT HIGHLIGHTS

- Total Project Cost: $1.75 (building phase), ~$3.5M (inc. equipment) million
- NMTC Loan: $1.5 million
- DEED Job Creation Funds
- West Central Initiative Funds
- Investor: Wells Fargo
- Jobs: 7 construction, 10 retained direct jobs, 15 direct jobs

Top: Aura Fabricators Inc. logo
Bottom: Decorative metal work completed by Aura Fabricators Inc.

Midwest Minnesota Community Development Corporation
MMCDC
Blending Capital With Innovation For Successful Community Development

ROCHESTER CONTINUUM OF CARE JOINT FACILITY, ROCHESTER, MINNESOTA



01
JAN 2015

NO COMMENTS

In 2013, Midwest Minnesota Community Development Corporation and US Bancorp Community Development Entity financed of the acquisition, renovation and construction of a community facility providing services to disadvantaged children and youth including Boys and Girls Club, Head Start and Early Head Start programs. Financing also included U.S. Department of Health and Human Services, Administration for Children and Families, Head Start grant funds.

More info:
The Continuum of Care Joint Facility Project is a unique collaboration between Boys & Girls Club of Rochester and Child Care Resource & Referral – Head Start to provide quality youth development programs from cradle to college, birth to 18 years of age, under one roof.

This project assures a future of kids with increased school readiness, higher graduation rates, increased employment, stronger families, and a stronger future for our community. It allows both organizations to meet the growing needs of families in a true partnership benefiting all of Rochester's youth and families.

Project Outcome: A state of the art partnership and collaborative which jointly owns a facility that serves the youth and families most in need with a continuum of services that create a web of hope and opportunities for positive, healthy development of children and families. The cradle-to-college concept ensures these families the constancy of support and resources from
preschool school readiness to a safe and healthy environment after school and summers for school-aged children.

Child Care Resource & Referral increases the physical capacity for Head Start programs by 50% from 286 to 422 children by adding classrooms. The joint facility includes space to serve 96 children in Early Head Start. BGCR also increased daily capacity by 100%, to serve from 150 to 300 children per day.

MINNESOTA CHAMBER OF COMMERCE

GROWING MINNESOTA

May 5, 2023

Chair Rest, Chair Gomez and Members of Tax Conference Committee,

On behalf of the Minnesota Chamber of Commerce, a statewide organization representing more than 6,300 businesses of all sizes employing more than half a million employees throughout Minnesota, we write to oppose the new tax increases contained in HF 1938, the omnibus tax bill.

The new 5th tier individual income tax rate of 10.85% and the corporate income tax change will make Minnesota an extreme tax outlier significantly harming the business climate, undermining private sector economic growth and adding even more financial disincentive for businesses and wealthier households to invest or locate in Minnesota. These taxes will add additional headwinds to Minnesota's private sector economic growth.

In today's world of global competition and increased mobility of both people and capital costs matter - impacting decisions on where to invest, locate and grow. Minnesota already imposes a higher cost of doing business and higher tax burdens than most other states ranking 45th worst business tax climate by Tax Foundation. Minnesota is also seeing concerning negative trends on key economic data, for example ranking 42nd worst in the nation for domestic state out-migration with GDP and job growth lagging national growth in recent years. Our state ranked 32nd in the nation for job growth (Feb. 2023) and 36th in GDP growth for 2022.

We oppose the new 5th tier individual income 10.85% tax rate which would place Minnesota's top rate at 4th highest in the nation just behind California, Hawaii and New York. This new rate will be imposed on incomes greater than $600,000 for single filers and $1 million for married filing joint. It is not only a tax on individuals but a business tax since many pay their business taxes through the individual returns. This means less money to invest in employees, equipment and growth. Minnesota already has the 6th highest income tax rate and one of the most progressive tax systems in the nation. This will further widen the tax cost gap between Minnesota and other states. Since 2021, 22 states have reduced their individual income tax rates and 12 states have reduced their corporate tax rates including their top rates to be more attractive for investment and growth. **Minnesota's would be over double the 5% median top individual income tax rate of the 42 other states which have an income tax.**

Economic studies have found high marginal income taxes negatively impact entrepreneurship, investment, talent attraction and economic growth. Minnesota greatly relies on wealthier taxpayers to fund government general fund spending already with 47% of the income tax paid by the top 5% of households. This tax bill will add even more uncertainty and instability to the state's revenue system with an even higher reliance on a small mobile segment of the population and on a more volatile tax base. This unfortunately creates an even larger financial disincentive for businesses and wealthier taxpayers to remain, invest, or locate in our state.

We also oppose the combined mandatory worldwide corporate tax reporting requirement. This provision will make Minnesota an extreme tax outlier as no other state or country in the world requires this mandatory worldwide reporting requirement to calculate all corporate income taxes. A few states have an election, but an election is vastly different from a mandatory requirement. Worldwide combined mandatory reporting has been rejected in other states and nations for a variety of reasons, including international trade issues, a long history of

380 St. Peter Street, Suite 1050, St. Paul, MN 55102
www.mnchamber.com

contentious litigation and extreme complexities. This approach was rejected in the 1980s after foreign governments threatened international tax wars when California tried to impose a similar provision. Taxation of foreign income and efforts to combat profit shifting are best left to be dealt with at the federal level. Moreover, the Organization of Economic Co-operation and Development (OECD) that the U.S. and 140 nations are participating in has rejected the use of mandatory worldwide combined filing.

This new corporate tax requirement along with Minnesota's soon to be #1 corporate tax rate in the nation of 9.8% (New Jersey's surcharge is set to blink off in 2023) would place Minnesota at a huge competitive disadvantage among states and send a warning to multinational businesses that the state is a hostile environment for business expansion and relocation.

We urge you to mitigate the property tax shifts which will increase property tax burdens on businesses of all sizes across the state. The Senate bill has a more concerning shift that would result in increasing property taxes on lower valued businesses by 1.21% statewide and as much as 2.23% in some areas and higher valued properties by 0.75% statewide. The property tax is especially problematic as it imposes a high fixed cost of doing business which is required to be paid regardless if a business is profitable or not. These tax increases will be hitting an industry already experiencing significant challenges as real estate needs have changed dramatically after the pandemic resulting in reduction in office space needs, changing consumer needs as well as inflationary pressures.

Taxpayers *should not* be facing these huge tax increases considering the state has a historic budget surplus of $17.5 billion as well as a $5.4 billion structural surplus in the next biennium. It should be noted that this surplus is on top of spending growth assumed under the current law of 7.4% in FY 2024/25 and 7% in FY 2026/27. We also urge you to reconsider the billions in other tax increases moving through the legislature that will also raise the cost of doing business: the $2.9 billion payroll tax increase for the mandated paid leave provision of HF 2; the 1% increase in the metro area sales tax in the transportation and housing bill; the new delivery fee of 75 cents; increases in motor vehicle sales tax and other fee increases. Minnesota businesses do not have the luxury of considering tax increases in a vacuum, as they all impact the cost of doing business in our state.

We urge you to reject these tax increases and use a portion of the surplus to lower the cost of doing business in order to best position Minnesota for a strong and prosperous future. Our state's economic strength relies on a strong and growing private sector and a vibrant business community.

Thank you for your consideration.

Sincerely,

Beth Kadoun
Vice President Tax and Fiscal Policy
Minnesota Chamber of Commerce

SUNRISE BANKS

May 5, 2023

Representative Aisha Gomez
Senator Ann Rest
Tax Conference Committee
Minnesota State Capitol Room G-15
Saint Paul, Minnesota

Dear Chair Nelson and Members of Senate Tax Committee:

Sunrise Banks is pleased to support H.F. 1938 creating a New Market Tax Credit (NMTC) program in the State of Minnesota.

Sunrise is a $2.15 billion commercial bank located in Saint Paul and one the largest allocatees in Minnesota under the highly successful and impactful federal NMTC program, which has enjoyed strong bipartisan support in Washington for many years. The success of the program is driven by its private-public sector partnership that incentivizes investment in census tracts experiencing high poverty rates, low median income rates, and high unemployment. This place-based economic development program is ideally suited to both urban and rural communities whose locations are often overlooked by the marketplace due to extraordinary costs or other locational disadvantages.

Sunrise has been awarded $348 million in federal NMTC allocation to-date, which it has used to originate loans to over 70 local projects that have brought nearly 8500 jobs as well as needed goods and services to severely distressed census tracts across the Twin Cities. Given the program's value and success, we believe the state program should be structured as much as possible around the federal program’s guidelines and standards, and we fully support its passage.

Thank you for your consideration and support.

Mary E. Stoick
Senior Vice President
Director of Tax Credit Lending
Sunrise Banks, National Association

Minnesota Realtors®
11100 Bren Road West | Minnetonka, MN 55343 952.935.8313 | 800.862.6097 www.mnrealtor.com

May 5, 2023

Members of the Taxes Conference Committee:

Thank you for the opportunity to submit comments on HF 1938, the omnibus tax bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 22,000 real estate professionals working with buyers and sellers of all types of property, in every corner of the state.

MNR appreciates the inclusion of several provisions in both the House and Senate omnibus tax bills, highlighted below, and we respectfully urge your inclusion of these provisions in the conference committee report.

With homestead estimated market values increasing due to a chronic shortage of housing, our members share the concerns of homeowners around the state regarding rising property taxes. Therefore, MNR encourages the conference committee to include the following homeowner property tax relief provisions in the conference committee report.

Homestead Market Value Exclusion (Senate Art. 3, Sec. 23 / House Art 3, Sec. 15)
MNR appreciates the increases to the homestead market value exclusion minimum and maximum value thresholds in both bills. Homestead market value exclusion thresholds are not indexed and have not been increased since the exclusion was created in 2011. For context, according to MNR's 2013 Annual Report on the Minnesota Housing Market, the median sales price of a home 10 years ago was $170,000. In 2022, the median sales price was $326,300.

MNR believes it is important and reasonable to significantly increase the homestead market value exclusion value thresholds to at least the amounts in the Senate bill so the property tax relief this program was created to provide continues to be meaningful to homeowners.

Targeting Property Tax Refund (Senate Art. 3, Sec. 29 / House Art. 4, Sec. 26)
The "targeting" property tax refund provides direct tax relief to homeowners who have large tax increases from one year to the next.

MNR supports the provision in the Senate bill, reducing from 12 to 10 percent, the threshold to qualify for the "targeting" property tax refund and increasing the maximum refund to $2,000.

MNR also supports the provision in the House bill that provides a temporary increase in the "targeting" refund for property taxes payable in 2023, reducing from 12 to six percent the threshold to qualify for the refund and increasing the maximum refund to $2,500.

Homestead Credit State Refund (House Art. 4, Sec. 2-3 and 25)
The Homestead Credit Refund Program makes homeownership more affordable. Saving money for a down-payment and purchasing a home is just the first step in becoming a homeowner and the Homestead Credit Refund Program assists homeowners whose property taxes are high relative to their income.

MNR supports the provision in the House bill, which reduces co-pay percentages for all income ranges by five percentage points. MNR also supports the onetime 13.8 percent increase for refunds for all claimants in the House bill.

Senior Citizens' Property Tax Deferral Program (Senate Art. 3, Sec. 30 / House Art. 3, Sec 21)
MNR appreciates the provisions in both bills, increasing the household income limit and reducing the number of years a homeowner must own and occupy the property to qualify for the senior citizens' property tax deferral program. Modifying the eligibility criteria is reasonable and would provide some seniors struggling to pay their property taxes with an option to age in place.

MNR also supports the provisions in both bills which allow property owners with a valid ITIN issued by the Internal Revenue Service to qualify for homestead status and the homestead property tax refund.

Finally, MNR also supports the provisions in the Senate bill that repeal the sunset of the historic structure rehabilitation credit and reinstate the credit for projects that started rehabilitation work after June 30, 2022, and before July 1, 2023.

Thank you again for the opportunity to provide comments on HF 1938, the omnibus tax bill.

Sincerely,

Paul Eger

Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®

May 5, 2023

Tax Chairs and Conferees,

On behalf of the over 700 small cities in Minnesota with populations under 5,000 - and the more than 650,000 Minnesotans who call a small city "home" - we want to thank both bodies for including in your bills, provisions that promote economic growth in small communities among your top priorities.

As cities adjust to inflation and the ever-increasing requirements on local governments, MN Small Cities urges the Tax committee to include increased LGA funding that allows Minnesota's smallest communities the resources to provide necessary constituent services. Small cities especially, rely on LGA to provide these services and to keep property taxes down while doing so.

MN Small Cities supports the following provisions being included in your Taxes Conference Committee report:

HF1938 - $100 Million Increase in LGA Funding: MN Small Cities <u>strongly supports</u> the $100 million increase in LGA funding included in HF1938, as it gives cities much needed, critical funding to support local projects, rebuild local infrastructure and deliver necessary services to its residents.

HF1938 - **Inflation Factor in LGA Funding:** MN Small Cities <u>supports</u> adding an inflation factor to *any* increases to LGA funding under consideration. Adjusting LGA with inflation is important for maximizing its impact in the years to come and provides a stable growth model so our small cities can plan on and keep up with the needs.

SF1811 - Public Safety Appropriation: MN Small Cities <u>supports</u> the public safety formula under SF1811. This provision is important for supporting the safety of residents in our small communities. That being said, we would prefer ongoing reliable funding, as one-time funding would not reasonably allow cities to significantly increase public safety needs.

SF1811 - Tax Increment Financing Opportunities: MN Small Cities <u>supports</u> expanding the opportunity for cities located within 5 miles of a large city to utilize tax increment financing. SF1811 gives local communities in close proximity of larger cities an important extra tool for financing local capital projects.

Centre for International Corporate Tax Accountability and Research

Jason Ward, Principal Analyst
CICTAR
+61 488 190 457
jason.ward@cictar.org

May 5, 2023

via email
Conference Committee on H.F. 1983

RE: Support for worldwide combined reporting

Dear Chairs Sen. Ann Rest, Rep. Aisha Gomez and Conference Committee Members,

My organization, the Centre for International Corporate Tax Accountability & Research (CICTAR), strongly supports the provisions in H.F. 1983 and S.F. 1811 to achieve worldwide combined reporting. As the fear mongering in the *Wall Street Journal's* Editorial Board Opinion piece, "Minnesota's Global Tax Grab" suggests, multinational corporations fear that Minnesota's move will be followed by other states. This is not surprising, but particularly rich coming from a newspaper owned by Rupert Murdoch's News Corp, with its documented history of peddling lies and major global tax avoidance.

This ill-informed and misleading opinion piece is typical of the attacks on efforts to eliminate the water's edge exemption and move to full worldwide combined reporting. This reform measure will increase revenue for Minnesota but is not raising taxes. It is merely closing a loophole exploited by only the largest multinationals. Large corporations – and paid lobbyists and supporters – pretend to represent the business community and too often get away with it. This measure will benefit most businesses by leveling the playing field and ensuring that the largest multinationals, like others, help fund the public services used by employees and to conduct business in Minnesota. Simply, if a business is not stashing profits in offshore tax havens, this reform will have no direct impact.

How much corporate income tax do corporations like Amazon, Microsoft and Apple pay in Minnesota? We don't know. The likely answer – due to extensive abuse of tax havens to avoid obligations in Minnesota and worldwide – is very little or perhaps none at all. CICTAR has done significant research on the global tax avoidance by Amazon, Microsoft and many other multinationals. Apple's global tax avoidance, and that of many others, is also well documented. Profits of these global IT giants are legally (although not always), but artificially, shifted offshore and away from where consumers, including in Minnesota, are purchasing goods and services. The *Wall Street Journal*, specifically mentions "such home-based firms as Cargill…", which sadly has a long and sordid global record of alleged tax evasion.

This is a common-sense reform to return to the original intent and design of the state-level unitary combined reporting system, which correctly treats large corporations as consolidated entities rather than the as separate entities to be taxed at the entity level. By eliminating the water's edge exemption, only utilised by the largest multinational corporations, Minnesota will create a more level playing field for the vast majority of small and medium-sized businesses that don't have access to offshore tax havens in order to game the system and avoid state, federal and global corporate income tax payments.

The water's edge exemption allows multinational corporations, many with record profits, to avoid the obligation to fund Minnesota's safety net and essential public services like all other businesses and individuals in the state. This expands inequality and undermines the integrity of Minnesota's state tax system. This corporate loophole must be closed to raise revenue for essential public services. Most individuals and businesses are already contributing their fair share. A sales or tech worker in an Apple store in Minneapolis should not be paying a higher rate of tax than the $2.6 trillion corporation that employs them. This is inherently unfair!

From current CICTAR research in California and public information from the Franchise Tax Board (FTB), we know that less than 2% of company income tax filers in that state utilize the water's edge exemption. The percentage is likely even smaller in Minnesota. In California, if not ended, the use of the water's edge exemption, based on FTB reports, will result in a loss of an estimated $5 billion in revenue by 2024. This is the largest loss of revenue from company income tax payments in the state. This estimate for California is significantly above the estimate in the 2019 Institute of Taxation and Economic Policy (ITEP). The April 10 estimate from the Minnesota Department of Revenue, for the amendment to the House Omnibus Tax Bill (HF1938) is also based on the ITEP report and presumably lower than the projected revenue increases for Minnesota, which begin at $104 million in 2024 and rise to nearly $364 million in 2027. This is hundreds of millions in annual revenue that can, and should, be used to benefit the people of Minnesota and level the playing field for all businesses.

The Council on State Taxation's (COST) letter opposing this common-sense and overdue reform states that no other US state or country utilizes mandatory worldwide combined reporting to calculate all corporate income taxes. However, Alaska does use combined worldwide reporting for all companies operating in the oil and gas sector, the largest sector in the state's economy. Alaska's use of combined worldwide reporting was recently challenged in federal court, but once again the courts rejected the challenge. Bills to end the water's edge loophole are introduced in many state legislatures every year and continually opposed by COST, whose board represents many of the world's largest and most aggressive tax dodging multinationals. There are currently 9 other states considering legislation to eliminate the 'water's edge' exemption and move to full worldwide combined reporting.

Globally, there is a trend towards requiring increased transparency and tackling multinational tax dodging. The global tax reforms at the OECD, supported by the Biden administration, also include a provision that examines the largest global corporations as consolidated unitary entities for the calculation of corporate income taxes. The Australian government recently released draft legislation to require all multinationals to publicly disclose tax payments and other basic financial information on a country-by-country basis. This legislation is expected to be approved by Parliament in mid-June and implemented in July. This legislation moves in front of similar reforms already scheduled for implementation at the European Union level and will apply to all multinationals operating in Australia, including all of the ones mentioned here and many more. Additionally, in the US, the Financial Accounting Standards Board (FASB) has proposed rules that would require far more detail to be reported on tax payments by US corporations, including state and international levels.

The COST letter to the House Tax Committee opposing worldwide combined reporting, similar to the rhetoric in the *Wall Street Journal*, states that this legislation "would place Minnesota at a huge competitive disadvantage among states and would send a warning flag… that the state is a hostile environment…." On the contrary, this legislation levels the playing field for all businesses operating in Minnesota and brings the state in line with global trends to tackle multinational tax avoidance that steals much needed funding for essential public services. As feared by COST and the *Wall Street Journal*, other states will undoubtedly pass legislation to eliminate the water's edge exemption and/or move to full worldwide combined reporting in the coming years. Minnesota has an opportunity to lead the way.

These arguments against this reform are merely an attempt to defend the status quo which gives multinational corporations an unfair advantage when competing with local companies. Businesses should compete on innovation and the quality of goods and services, rather than on the ability to exploit loopholes. Most local and domestic businesses, and individuals, don't abuse loopholes in state, national and international tax systems and already pay a fair share of income tax that helps to support essential public services.

Ultimately, CICTAR supports global reforms to tax multinational corporations as consolidated or "unitary" entities rather than as separate entities where profits can be easily and artificially shifted to where they are taxed the least, or not at all. The combined reporting system in Minnesota (and 26 other US states), with the elimination of the water's edge loophole, is a potential model for future global reforms. In essence, the water's edge loophole allows the world's largest multinational corporations to stash money in offshore tax havens so that it is excluded from the calculation of taxes owed at the state level. This is the primary reason why many of the largest multinationals pay little or no corporate income tax in Minnesota or other states.

We urge the Conference Committee to pass this legislation and close this loophole. The business and people of Minnesota deserve better. As feared by opponents, other states will follow Minnesota's leadership on this important and timely issue.

Sincerely,

Jason Ward

Jason Ward

Minnesota **RETAILERS** Association
the face of today's innovative retailers

May 5, 2023

Chairs Rest and Gomez, and Members of the Tax Conference Committee:

Thank you for working together to craft a meaningful omnibus tax bill. We share your goal of improving Minnesota's quality of life. For retailers across the state to serve the needs of our families and neighbors, balance in our tax policy is essential.

In today's competitive consumer market most expanding, relocating, or locating retailers look as closely at the state's tax policy as they do the storefront itself. Tax policy plays a vital role in decision making from the smallest of retailers to the largest.

As you finalize the omnibus tax bill, we ask you consider these requests to assist in Minnesota being a competitive place for economic growth:

☑ **Adopt Senate language expanding the sales tax exemption to include more baby products.** At a time when Minnesota families are pinched, the exemption expansion will provide needed relief. **In order to allow retailers time to make the changes needed to accommodate the newly exempted products, we ask you set an implementation date of January 1, 2024,** as opposed to the current June 1 date.

☒ **Remove the House language on the creation of a new fifth tier income tax.** While this measure appears to be targeted at high income individuals, a significant number of retailers in Minnesota are pass-through entities. The fifth tier proposal will have a detrimental impact on those retailers and disproportionally impact our state's small businesses. In Minnesota, nearly 90 percent of our retailers are small businesses, with a significant number filing as pass-through entities.

☒ **Remove the Senate worldwide combined reporting provision.** Minnesota stands to be an outlier by becoming the only place in the <u>world</u> with this taxation approach. Our current standing as the second highest corporate taxing state already puts retailers at a competitive disadvantage. Enacting worldwide combined reporting will exacerbate this dramatically and make Minnesota unattractive to investment and expansion.

On behalf of our members who are proud to employ and serve Minnesotans, thank you for considering the above requests.

Bruce Nustad, president

380 St. Peter Street, Suite 1050, Sat. Paul, MN 55102 – tel. (651) 227-6631 – mnretail.org

MINNESOTA
RESOURCE
RECOVERY
ASSOCIATION

"To promote a zero-waste society that advocates for reducing waste, sustainably reusing resources and less landfill use."

May 5, 2023

Representative Aisha Gomez	Senator Ann Rest
Representative Dave Lislegard	Senator Matt Klein
Representative Esther Agbaje	Senator D. Scott Dibble
Representative Liz Lee	Senator Grant Hauschild
Representative Greg Davids	Senator Bill Weber

Dear Members of the Taxes Conference Committee (H.F. 1938/S.F. 1811):

On behalf of the Minnesota Resource Recovery Association (MRRA) trade group representing nine resource recovery facilities across the state, the MRRA Board of Directors urges your support for S.F. 1587/H.F. 1785 to redirect all Solid Waste Management Tax revenues currently going to the General Fund to solid waste purposes, recognizing that this tax was designed as a user fee on solid waste generation to pay for environmentally responsible management of solid waste, a core function of government.

MRRA greatly appreciates the House and Senate Omnibus Tax Bills provisions to allocate a portion of the Solid Waste Management Tax (SWMT) currently going to the General Fund to the Environmental Fund for SCORE grants to counties. *(House – Art. 12, Sec. 12; Senate – Art. 13, Sec. 17)*

MRRA strongly supports the 15% allocation in the Senate version of H.F. 1938. MRRA encourages the conference committee to potentially find a path to adopt or phase in the 15% allocation prior to 2027 to begin upping SCORE-eligible activities sooner than four years out.

- MRRA Supports Efforts to Permanently Increase the Environment Fund and its contributions to SCORE Grants.
- Minnesota Statute 115A places the responsibility of local solid waste management in all 87 Minnesota Counties.
- In 2021, of the $97 million generated from the SWMT, less than $18 million was passed directly on to counties through SCORE Grants (less than 20%).
- The General Fund received 30% or ~$35M million from the SWMT.
  SCORE language and (a tenth of what is needed in) additional funding was included in the 2022 tax conference committee report.
- The current state budget surplus offers a critical opportunity to right-size SCORE grant levels to meet the challenges counties face to increase waste reduction, reuse, and recycling of valuable materials.

SCORE grants provide funding to support recycling programs, food waste management and prevention, composting, waste reduction, and managing problem materials, including household hazardous wastes. SCORE funding comprises an important part of solid waste budgets as counties seek additional resources for the infrastructure investments and program changes required to achieve state recycling mandates in pursuit of a zero-waste economy.

Sincerely,

Chris McConn
Board Chair, MRRA

PARTNERSHIP ON
WASTE & ENERGY
Hennepin | Ramsey | Washington

MEMORANDUM

May 5, 2023

Representative Aisha Gomez	**Senator Ann Rest**
Representative Dave Lislegard	**Senator Matt Klein**
Representative Esther Agbaje	**Senator D. Scott Dibble**
Representative Liz Lee	**Senator Grant Hauschild**
Representative Greg Davids	**Senator Bill Weber**

Dear Members of the Taxes Conference Committee (H.F. 1938/S.F. 1811):

The Partnership on Waste and Energy (Partnership) is a Joint Powers Board (Hennepin, Ramsey and Washington counties) formed to address waste management and energy issues. We seek to end waste, promote renewable energy and enhance the health and resiliency of communities we serve while advancing equity and responding to the challenges of a changing climate.

The Partnership has supported the direction of S.F. 1587/H.F. 1785 to redirect all Solid Waste Management Tax (SWMT) revenues currently going to the General Fund to solid waste purposes, recognizing that this tax was designed as a user fee on solid waste generation to pay for environmentally responsible management of solid waste, a core function of government.

The Partnership greatly appreciates the provisions in the House and Senate Omnibus Tax Bills to allocate a portion of the SWMT currently going to the General Fund to the Environmental Fund for SCORE grants to counties. *(House – Art. 12, Sec. 12; Senate – Art. 13, Sec. 17)*

The Partnership strongly supports the 15% allocation in the Senate version of H.F. 1938. The Partnership encourages the conference committee to potentially find a path to adopt or phase in the 15% allocation prior to 2027 to begin boosting SCORE eligible activities sooner than four years out.

SCORE grants provide funding to support recycling programs, food waste management and prevention, composting, waste reduction and the management of problem materials including household hazardous wastes. SCORE funding comprises an important part of solid waste budgets as counties seek additional resources for the infrastructure investments and program changes required to achieve state recycling mandates in pursuit of a zero-waste economy.

For further information on the Partnership position on this provision, please contact Rob Vanasek at Capitol Hill Associates *(rob@capitolhillassoc.com; 612-964-4876).*

Sincerely,

Debbie Goettel

Commissioner Debbie Goettel, Hennepin County
Chair, Partnership on Waste and Energy

PARTNERSHIP ON WASTE AND ENERGY
HENNEPIN | RAMSEY | WASHINGTON

100 Red Rock Road | Newport, MN 55055
info@recyclingandenergy.org | 651-768-6670

ST PAUL AREA CHAMBER

MAKING CONNECTIONS THAT COUNT

401 N Robert Street, Suite 150
St. Paul, MN 55101

May 5, 2023

Senator Ann Rest
328 State Capitol
St. Paul, MN 55155

Representative Aisha Gomez
453 State Office Building
St. Paul, MN 55155

Dear Chair Rest, Chair Gomez, and Tax Conference Committee Members:

On behalf of the 1,700+ members and affiliates of the St. Paul Area Chamber, thank you for the opportunity to provide input on the tax bill as you work to adopt final language.

Local Government Aid. We ask that the House position on LGA be adopted. The $100 million program funding increase and formula adjustments will provide the City of St. Paul with an additional $11 million per year. The inclusion of inflation moving forward will help LGA funding better align with future expenses.

St. Paul Streets. We strongly prefer the House position providing the City of St. Paul with $30 million in one-time funding for street improvements over the approval of a one-percent sales tax increase. Given that St. Paul is the home of state government, we believe it is appropriate for the state to provide resources to the city to maintain its infrastructure. If this local sales tax increase were to be adopted, along with the proposed housing and transit metropolitan area sales taxes, St. Paul would have a 9.875% sales tax rate—the highest in the state. Further, we fundamentally disagree with the use of sales tax revenues to fund core operational functions of municipal government, given the statutory direction for use on specific projects.

Fifth-Tier Income Tax. We prefer the Senate position and would request that the fifth-tier income tax not be included in the final bill. Recent IRS data shows that Minnesota lost over $1.5 billion in adjusted gross income last year; we fear this tax increase would further exacerbate this exodus.

Worldwide Combined Reporting. We are deeply concerned with the proposal to make Minnesota the first entity in the nation or world to mandate worldwide income reporting. This measure would further make Minnesota a tax outlier for businesses, create compliance difficulties, and discourage companies from entering international markets. We would urge the conference committee not to implement a volatile new tax when the state has a $17.5 billion budget surplus.

Thank you for your time and consideration.

Respectfully,

Brenda L. Kyle

B Kyle
President & CEO, St. Paul Area Chamber

Chair, Senator Ann Rest
Senate Taxes Committee
Capitol Room 328
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Chair, Representative Aisha Gomez
House Taxes Committee
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re: Soil and Water Conservation Aid Program in HF1938 May 5, 2023

Dear Chair Rest, Chair Gomez and members of the Conference Committee on HF1938,

As you reconcile the House and Senate proposals in HF1938, the Omnibus Tax bill, we write to convey our support for annual aid to Soil and Water Conservation Districts (SWCDs) for which an appropriation was included in both the House and Senate versions of the bill. We are especially supportive of the House-proposed appropriation level of $22,000,000 per year in FY24-25 and $14,000,000 per year in subsequent years. SWCDs are essential partners in protecting and restoring Minnesota's waters, habitats, forests, and the resilience of Minnesota's agricultural lands. SWCDs provide essential services to landowners for land and water conservation across Minnesota. Stable, long-term funding for SWCDs is critical. We appreciate the committee is considering SWCD funding from the general fund through the creation of a local government aid program through the Dept. of Revenue.

SWCD staff engage directly with farmers, foresters, other local governments, and landowners to make cleaner water and healthier soils a reality by helping to:

- identify problems,
- provide technical assistance and design solutions,
- find financial support, and
- implement soil and water conservation projects and practices.

Given this vital role, we strongly believe that SWCDs need a stable, sufficient funding source. Consistency of funding is also crucial to allow SWCDs the ability to more deeply engage in long-term planning and relationship building. Time is a key element that is necessary to strategically pursue opportunities to advance conservation goals. Securing their funding through local government aid will:

- Increase stability and support a level of funding that will attract and retain qualified staff,
- Increase funding that can be used to implement projects,
- Leverage Federal and other matching dollars currently being left on the table, and
- Enhance clean water outcomes.

Through our work across Minnesota, we have seen the impact that SWCDs can have when their staff have the resources and relationships they need to be most effective. Ensuring they have a stable funding source will unlock their full potential and lead to the soil and water conservation outcomes we know are possible.

Thank you for your support of aid to SWCDs.

FRESHWATER

CONSERVATION MINNESOTA

The Nature Conservancy

MREA
Minnesota Rural Electric Association
11640 73rd Avenue N | Maple Grove, MN 55369 | p: 763-424-1020 f: 763-424-5820 | www.mrea.org

May 5, 2023

Re: Tax Bill Conference Committee HF 1938

Dear Tax Conference Committee Members:

The Minnesota Rural Electric Association (MREA) represents the interests of the state's 50 rural electric cooperatives who collectively serve 1.7 million member-owners comprising two-thirds of the State's geography and approximately one-third of the State's population. Our member cooperatives are not-for-profit electric utility businesses that are locally owned and governed by the member-consumers they serve.

As part of bringing electric service to rural Minnesota in 1939, the legislature enacted a law under which Minnesota electric co-ops pay a $10 per 100-member fee in lieu of property taxes on cooperative distribution equipment outside of incorporated areas. That law, codified in section 273.41, was enacted to help reduce the high cost of providing electric services in rural Minnesota. Non-profit rural cooperatives have relied on this tax exemption for over 80 years to help us provide affordable electric service to rural communities throughout Minnesota.

Section 273.41 states specifically that co-ops will pay "a tax of $10 for each 100 members, or fraction thereof, . . . in lieu of all personal taxes, state, county, or local, upon ***distribution lines and the attachments and appurtenances thereto of such associations located in rural areas***." This property tax exemption is critical to ensure rural Minnesotans receive necessary electric service at an affordable price. Beginning in 1939 and for 80 years thereafter, this exemption for cooperative distribution facilities was implemented faithfully by the MN Department of Revenue for all cooperative rural distribution lines and the attachments or appurtenances to those lines, including electric meters and rural streetlights. Recently electric co-ops have been assessed property taxes on cooperative meters and streetlights in rural areas.

To address this problem, the legislature last year came to a bipartisan consensus in the Omnibus Tax Bill, ***reaffirming that the property tax exemption applies to all attachments and appurtenances connected to a rural cooperative's distribution system.*** The consensus language reads as follows:

- ***"For purposes of this section, "attachments and appurtenances" include, but are not limited to, all cooperative association-owned metering and streetlighting equipment that is physically or electrically connected to the cooperative association's distribution system."***

MREA appreciates and thanks the Senate for including this important provision in its tax bill once again this year and we urge the House to accept this provision in the final conference committee report.

Sincerely,

Darrick Moe
President/CEO
Minnesota Rural Electric Association

May 5, 2023

RE: Support House Position of the K12 Education Credit

Dear Members of the Taxes Conference Committee,

The Muslim Coalition of ISAIAH (MCI) is excited for the opportunity to support the K-12 Education credit changes appearing in both the Senate and House tax bills.

MCI represents over 20 mosques and Muslim community centers encompassing tens of thousands of Muslim Minnesotans. Altogether, the institutions we help organize represent over half a million Minnesotans.

We are pleased to see both the House and Senate make significant investments in housing this session. Because so many of the families that we advocate for have larger families, **we strongly prefer the house position, as it allows a greater income threshold for larger families.** This small change will make a huge difference for many of our families and children who would not otherwise benefit from the credit because their income level is just over the threshold.

We highly appreciate the work of Representative Norris and Senator Kunesh in working on this long-overdue changes to our K12 Education tax credit so more families can take advantage of it.

Sincerely,

Abdulahi Farah
Organizer, ISAIAH

RETHOS™
PLACES REIMAGINED

May 5, 2023

Dear Taxes Conference Committee Members,

I am writing on behalf of Rethos, and as a partner in the RevitalizeMN coalition, to urge you to adopt the Senate language regarding the reinstatement and extension of the Minnesota Historic Structure Rehabilitation Tax Credit, commonly referred to as MN HTC.

Although the MN HTC is written as a Taxes bill and lands under your committees' purview, it is also:

- a Housing bill, having supported the creation of thousands of homes, in all regions of the state, without the additional up-front and long-term costs of laying new infrastructure, and in many cases without additional public investment;
- a Labor bill. Tens of thousands of construction jobs have been created due to the Historic Tax Credit, and these workers buy things, pay their mortgages, go out to eat, get a haircut, etc. Because of this ripple effect, the HTC induces additional jobs in almost every sector of the economy. Almost literally, everybody in Minnesota benefits from the opportunities that the MN HTC creates;
- an Economic Development bill, as it has returned more than $9 in economic activity for every $1 that is issued in tax credits, and as much as $16 per $1 in Greater Minnesota. Since the state HTC is matched by the Federal HTC, it also returns Federal funds to Minnesota, keeping more of our tax dollars right here at home where we can best see the benefits;
- an Entrepreneurship bill that creates spaces for new restaurants, service providers, breweries and distilleries, and emerging real estate developers to build their dreams by rehabilitating and occupying historic buildings;
- a Tourism bill that saves the buildings that previous generations built and allows us the opportunity to reinterpret and reimagine those spaces in ways that tell our communities' unique stories. Studies have repeatedly shown that people who visit historic places tend to spend more, stay longer, and support more local businesses than other tourists/visitors; and
- an Environmental Sustainability bill that keeps sturdy materials that still have plenty of use left in them from filling our landfills, that lowers our demand for fossil fuels by preventing the need to use heavy demolition equipment, and that helps replace outdated building systems with energy efficient alternatives during rehabilitation.

Rehabilitated historic buildings help make Minnesota a thriving place to live, work, and raise a family. The Senate Omnibus Taxes bill includes language from Majority Leader Dziedzic's bill, SF1340, that would reinstate the HTC program permanently, allow one additional transfer of the credit certificate, and allow a special provision for projects that by necessity have begun rehabilitation since the sunset date of June 30, 2022. We ask that you adopt the Senate language and continue this important program that helps address so many needs in our communities across the state.

Sincerely,

Erin Hanafin Berg, Policy Director
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MedicalAlley

05/05/2023

RE: HF 1938 Angel Tax Credit

Members of the Taxes Conference Committee,

Medical Alley and our network of more than 800 members represent one of the most diverse and influential healthcare communities in the world. We are a critical partner and connection point between companies, talent, and the broader Medical Alley community, which employs more than half a million Minnesotans.

We encourage the Taxes Conference Committee to adopt the Angel Tax Credit provision in the Senate-passed version of House File 1938. The Angel Tax Credit is a small business investment tax credit that is critical to cultivating Minnesota's startup ecosystem and generating economic growth for decades to come.

The Angel Tax Credit provides a 25% state income tax credit to individuals or investment funds which invest in qualified early-stage businesses. Half of these credits must be allocated for investments in women-owned, minority-owned, veteran-owned, or Greater Minnesota businesses.

Medical Alley is deeply committed to advancing health equity and improving patient outcomes for everyone. Our partners understand the significant challenges facing healthcare — with affordability and reducing health disparities as top priorities. We believe this tax credit helps to fulfill that goal.

Funding the Angel Tax Credit at $20 million over four years ($5 million per tax year) will keep Minnesota a destination for innovation. Without renewed support for the Angel Tax Credit program, investment dollars will go elsewhere and innovators will struggle to reach their full potential.

Since Angel Tax Credit was created in 2010:

- **$498 million invested** in startup and early-stage companies via the Angel Tax Credit
- **554 businesses** have benefitted from Angel Tax Credit
- **2,494 jobs created**

Last year, $5 million in credits were available, which ran out in May, a clear indicator that demand for this program surpasses supply.

We ask members of the Taxes Conference Committee to support inclusion of the Angel Tax Credit into the conference report of the Omnibus Tax Bill.

Sincerely,

Peter Glessing

Peter Glessing
Director, Government Affairs & Policy
Medical Alley