



MINNESOTA BUDGET PROJECT

An initiative of
the Minnesota Council
of Nonprofits

April 10, 2023

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

Dear Chair Gomez and House Taxes Committee members:

The Minnesota Budget Project supports enacting a new “5th tier” income tax bracket focused on the highest-income households as a component of a fair tax system that sustainably raises the resources needed to fund the services Minnesotans value and count on.

Raising progressive revenue by creating a new income tax bracket on the highest-income households is a strategy Minnesota has successfully used before. In 2013, Minnesota passed a 4th tier in a progressive tax package that ended a decade of frequent budget deficits, and funded investments in education from our youngest learners through college, and other crucial public services. Despite concerns that some had, the number of high-income Minnesota taxpayers grew after the 4th tier was enacted.

The most recent *Tax Incidence Study* from the Minnesota Department of Revenue found that for actual taxes in 2018 and projected taxes in 2023, Minnesota’s overall state and local tax system was slightly regressive. A 5th tier income tax bracket can be an effective tool in addressing regressivity in our tax system and creating a system that is progressive overall.

In addition, a 5th tier could raise revenues to sustainably address the real challenges that everyday Minnesotans are facing by investing in affordable health care, child care, housing, a quality education from the earliest years through college and training, clean air and water, and other building blocks of a high-quality standard of living.

Minnesota is fortunate to have a very large projected surplus for the upcoming FY 2024-25 biennium, but the majority of those resources are temporary. The projected surpluses in the forecast measure against budget decisions made in past years that did not keep up with inflation or make the investments needed for all Minnesotans to thrive. Once the temporary surplus bubble has ended, Minnesota will need additional revenues to sustainably fund public services that contribute to shared prosperity.

It makes sense for those with the most resources to contribute a bit more in order to build a stronger future for our state. A new 5th income tax bracket focused on the highest-income Minnesotans is a targeted policy to achieve that goal.

Sincerely,

Nan Madden
Minnesota Budget Project Director

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, identifies and promotes public policies so that economic security is available to all Minnesotans, regardless of who they are or where they live.