May 8, 2023

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

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

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

I'm writing on behalf of the 135 member organizations of the Minnesota Asset Building Coalition to share our priorities for the 2023 Tax bill. MABC member organizations are direct-service nonprofits serving communities across the state who have been excluded or marginalized from equitable opportunities for asset building and economic mobility. As a coalition, we advocate for state policies and public investments that benefit and protect our communities and create opportunities for a brighter financial future.

We hope the final Tax agreement targets tax relief to Minnesota's lowest income individuals and families and takes into account the disproportionate economic harm some communities suffered during the Covid pandemic. Please consider the following priorities for the Conference Committee Report:

End the use of Revenue Recapture to collect hospital debt on behalf of private healthcare companies. Over two-thirds of Minnesotans subject to Revenue Recapture for hospital debt reside in households with less than $40,000 in annual income. Seizing a person's tax refund to offset hospital debt undermines families' ability to budget, save for emergencies, and build financial stability. Please adopt the provisions from SF2160/HF1487 currently included in the House Tax bill (Art. 12, Sect. 4) to end this aggressive debt collection practice.

Simplify and expand access to the Renter's Credit. Converting the Renter's Credit to a refundable tax credit renters claim on their regular tax return is estimated to increase uptake by 119,000 currently eligible Minnesotans. This constitutes a long-term investment in housing stability for Minnesota's lowest-income renters, who often face the greatest barriers to claiming the credit. We also support basing the credit calculation on AGI to simplify the process, as well as the one-time increase to get immediate, targeted tax relief to this population.

Broaden eligibility for the Child and Working Family credit. We support restructuring this credit to provide additional resources for eligible families with children, thereby reducing child

cc: Mitch Berggren, Committee Administrator; Christie Blood, Committee Legislative Assistant; Patrick McQuillan, Committee Administrator; Lauren Sabes, Committee Legislative Assistant poverty in Minnesota by 25%. We also support expanding eligibility to more taxpayers without dependents, who have not received equitable tax relief from this credit in the past, and to taxpayers who file taxes using a tax identification number (ITIN). These are important equity measures that ensure all Minnesota families have an opportunity to thrive.

Increase the income threshold and maximum credit amount for the Minnesota Education Credit. This long-overdue adjustment is included in both the House and Senate Tax bills, and we hope to see it in the Conference Committee Report. This credit makes educational opportunities from music lessons to after-school tutoring to driver's education more affordable, creating more equitable access to educational enrichment.

Thank you for doing the hard work of balancing competing tax priorities to craft an equitable Tax bill that supports all our communities. We appreciate the opportunity to submit comments.

Sincerely,

Anna Marie Odegaard

Anna Odegaard
Director, Minnesota Asset Building Coalition
612-532-3723

cc: Mitch Berggren, Committee Administrator; Christie Blood, Committee Legislative Assistant; Patrick McQuillan, Committee Administrator; Lauren Sabes, Committee Legislative Assistant

PENNINGTON COUNTY
MINNESOTA

AUDITOR – TREASURER'S OFFICE
101 Main Avenue North
P.O. Box 616
Thief River Falls, MN 56701
(218) 683-7000

May 9, 2023

Representative Patrick McQuillan
3111 Minnesota Senate Building
St. Paul, MN 55155

Dear Representative McQuillan,

The Pennington County Board of Commissioners is writing to both thank you for your efforts to provide greater equity in the distribution of Payment in Lieu of Taxes (PILT) and to encourage your continued advocacy for the funding and amendments to MSA Chapter 477A (PILT), as proposed in the House version: HF 1938/Omnibus Tax Bill.

The 2012 Legislature recognized the fiscal imbalance created by the geographic distribution of public lands in this state by adopting an as yet unfilled purpose for the Payment in Lieu of Taxes Program:

M.S.A. Chapter 477A.10 "Natural Resources Land Payments in Lieu: Purpose: (2) to address the disproportionate impact of state land ownership on units of government with a large proportion of state land."

The House version of HF 1938/Omnibus Tax Bill acknowledges this legislative mandate by directing an additional $9 MD in PILT aid to counties with a disproportionate share of state land. We urge your continued support and advocacy for the House version of HF 1938.

Thank you for your consideration.

Sincerely,

Neil Peterson, Chairman
Pennington County Board of Commissioners

1626 London Rd #779, Duluth, MN 55812
www.dulutharmory.org

May 9, 2023

Re: House and Senate Omnibus Tax Conference Committee - HF1938

Dear Conferees:

On behalf of the Duluth Armory Arts and Music Center, I am writing today to ask for your support of the Senate position on the Historic Tax Credit program.

The Duluth Armory Arts and Music Center is in the middle of an effort to rehabilitate and restore the Historic Duluth Armory. A key component of the project's financing is the use of the historic tax credit program. The Senate Tax bill continues this important program, the House Tax bill does not. Please support the Senate historic tax credit provisions.

The historic tax credit (HTC) program encourages the reuse of Historic buildings such as the Armory, which are the embodiment of our community's history and define their unique character. HTCs are a critical piece of the Armory project's financing. The Armory project would likely not be feasible without the HTCs. This will enable project developers to rehabilitate and reuse the Duluth Armory into a food-based enterprise, event center, large community kitchen, and food innovation hub who's goal is to connect dozens of northland farmers to the large institutions and restaurant community of the greater Duluth area.

Thank you,

Mark Poirier
Executive Director
Armory Arts and Music Center

1626 London Rd #779, Duluth, MN 55812
www.dulutharmory.org

May 9, 2023

Re: House and Senate Omnibus Tax Conference Committee - HF1938

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Thank you,

Mark Poirier
Executive Director
Armory Arts and Music Center

MISSION: To preserve the Duluth Armory and its historic value to American culture and the arts, while encouraging its reuse, placing emphasis on arts and education.

AITKIN COUNTY COMMISSIONERS

Aitkin County Government Center
307 2nd Street NW, Room 310
Aitkin, MN 56431

Phone: 218-927-3093
Fax: 218-927-7374

May 8, 2023

Senator Mitch Berggren
Senator Grant Hauschild
Representative Patrick McQuillan
Representative Dave Lislegard

Re: Tax Omnibus Bill (HF 1938/SF 1811)
Payment in Lieu of Taxes Amendments

Dear Senators and Representatives:

On behalf of the Aitkin County Board of Commissioners, I write to ask for your support for equitable PILT funding and amendments to MSA Chapter 477A (PILT), as proposed in the House version: HF 1938/Omnibus Tax Bill.

Aitkin County is a member of the Northern Counties Land Use Board consisting of ten northern Minnesota counties hosting 65% of the state's 8.5 million acres of Payment in Lieu of Taxes eligible public lands. Aitkin County is subject to the constraints of a rural economy, vast public acreage, and the inequities of the current PILT program which causes us to be disproportionately dependent on the PILT program to support our local government operations.

The 2012 Legislature recognized this fiscal imbalance in the statewide geographic distribution of public lands by adopting an, as yet, unfulfilled purpose for the Payment in Lieu of Taxes Program:

M.S.A. Chapter 477A: "...to address the disproportionate impact of state land ownership on units of government with a large proportion of state land."

The House version of HF 1938 is a reasonable means of recognizing the existing disproportionate geographic and fiscal impact of the state's public lands on northern counties. We urge your support and advocacy of this increase in PILT funding throughout the Conference Committee process.

Sincerely,

J. Mark Wedel
Aitkin County Board Chair

Cc: Aitkin County Board of Commissioners

COALITION for a PROSPEROUS AMERICA

Phone: 208-310-3320
David@prosperousamerica.org
prosperousamerica.org

May 10, 2023

To: Senate Tax Chair Rest, House Tax Chair Gomez, Tax Conference Committee Members

Re: Pro-Business support for Worldwide Combined Reporting

Chairs Rest and Gomez and Members of the Conference Committee on Taxes, I am grateful to have this opportunity to address the committee.

My name is David Morse, and for the past ten years, I have been personally dedicated to enacting tax policy that benefits domestic companies in different capacities.

For the last four years, I have had the privilege to work for the Coalition for a Prosperous America in this effort. Our Coalition is the only national organization representing exclusively domestic producers' interests. We represent manufacturing companies, farmers, and associated labor interests.

I educate and promote the adoption of a simpler tax code that improves U.S. trade performance, solidifies the tax base, and eliminates multinational and foreign corporations' tax advantages. We support Worldwide Combined Reporting for the sake of domestic businesses.

Multinational and foreign corporations have tax advantages that strangle domestic competition. Global enterprises regularly move profits outside the United States and sequester those in a low-tax rate subsidiary. This tactic impoverishes a state's treasury and shifts the pressure of tax increases on smaller domestic enterprises.

Recent Congressional Budget Office reports as part of the Inflation Reduction Act have negated the perspective that these advantages are an accounting error despite the promises of old-school free traders. Profit Shifting is a real problem for state governments and the federal government.

Smaller domestic enterprises do not have the profit-shifting option by default. When domestic companies do not share equal benefits of tax reductions or bear higher effective tax rates than competitors, two things will occur: the domestic company will fail to grow or will start to show negative growth combined with layoffs. They will consider alternatives that make them ripe for foreign-based partnerships or takeovers to allow access to the profit-shifting mechanism. Ultimately, a state will suffer because either option exponentially increases the chance that jobs and profits will leave the state unless some additional action is taken.

Many efforts have been made to patch the tax system and restrict this profit-shifting function nationally. On the state level, different proposals have temporarily restricted options. Still, these options usually involve trying to define a tax haven or finding some mechanism while ignoring the true source of the problem, the Water's Edge election. I call these temporary because they have not lasted.

Most smaller companies are busy competing with national competitors for market share. But while they are trying to maintain a foothold, the current tax system that allows the Water's Edge election creates effective tax rate differentials. Those differentials lead to a competitive disadvantage against the very companies a state would want to save: domestic homegrown businesses.

Most states rely on an apportionment formula, usually leaning on or exclusively dependent upon the sales in the formula. There was a time when many states in the Union used a worldwide apportionment.

During the 1980s, only political pressure from the U.K. and a misled American public ended the Worldwide apportionment taxation. During that Era, the world was very different and concerned about double taxation. And the states were pressured to implement Water's Edge and abandon complete reporting taxation.

The global world of taxation is very different now. The U.K. is very concerned about finding tax revenue, and many other countries are considering alternatives.

Double non-taxation is now a major issue, and many countries, such as India and Nigeria, are considering apportionment-based corporate taxation. Even more, countries were willing to use a digital service tax specifically targeting U.S. interests.

Finally, the Organization for Cooperation and Development has taken limited steps towards apportionment.

Why? Because the profit-shifting issue has become egregious, other nations are looking to protect their own domestic businesses. The negotiations at the OECD level reflect this self-interest and may have ultimately doomed their partial approach. But tax experts agree that apportionment is a rising proposal overall. Global accounting firms want to see this effort fail because it will impact their major clients.

But these international negotiations and states of mind only inform this committee that international taxation is unsustainable, and we are in a period where states and countries are reorienting their priorities to self-interest. The "Transfer Pricing" mechanisms are part of an old world of taxation preserved through previous agreements and corporate self-interest for multinational corporations rather than the interest of the nation or our individual states seeking long-strategic growth.

Currently, the Water's Edge combined reporting technique permits larger businesses to profit shift, leading to state tax base erosion and an unfair burden on domestic small businesses.

Water's Edge combined reporting allows foreign corporations to be excluded from the apportioned tax count if the corporation has the appropriate foreign amounts moved overseas. Therefore, if the corporation uses Water's Edge combined reporting, it can exclude its self-defined foreign income and factors.

Minnesota is not obligated and should not retain the Water's Edge election.

Multinationals are especially adept at gaining a tax advantage by profit shifting to subsidiaries in low-tax jurisdictions. A move to eliminate the Water's Edge combined reporting would remove one of the most effective profit-shifting techniques deployed in U.S. states that have moved to a sales-based formulary apportionment system to allocate income for tax purposes.

We are aware of the contrary narrative promoted to benefit multinational interests over domestic business. We advise legislators to protect domestic companies first with a balanced tax distribution. An effective tax rate for a domestic company should always be the priority. Then the effective tax rate can be appropriately applied to all companies as needed.

I would be happy to address any further questions.

Best regards,

David

David Morse
Tax Policy Director
Coalition for a Prosperous America

Minnesota Catholic Conference

Testimony in Support of a New Minnesota Child Tax Credit
Taxes Conference Committee (H.F. 1938)
May 9, 2023

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

Minnesota is a prosperous state, yet our resources are not infinite. Like all budgets, Minnesota's next biennial state budget will allocate those resources in a manner that reflects what our society most values. The Minnesota Catholic Conference, the public policy voice of the Catholic Church in Minnesota, understands weighty decisions that must be made as you work to craft the most influential component of the budget—the 2023 Omnibus Tax Bill (H.F. 1938). We write to encourage you to make families the foremost beneficiaries of those decisions. We hope that what emerges from your Conference Committee is a new Minnesota Child Tax Credit (CTC) that leads the nation in the number households with minor children that receive the direct, flexible, and ongoing economic relief that they deserve.

Supporting Families, Minnesota's Most Vital Infrastructure

A stable workforce, vibrant communities, and a sustainable tax base are all biproducts of economically secure families. Parents with minor children are doing the hard work of raising the next generation of contributors and taxpayers amid immense economic pressures. Money is tight, especially for larger families with lower incomes. Families across the state need economic relief. Governor Walz opened the year by issuing a bold commitment to make Minnesota the best state in the country to raise children. It is encouraging that many legislators have pledged to help achieve that goal, but the preeminence of families must go beyond rhetoric. Policies that remove economic barriers to family formation and sustainability must be pursued with a sense of urgency. A robust state-level CTC, modeled after the now expired 2021 Expanded Federal CTC, would empower families, and elevate Minnesota as one of the best states in the nation to raise a family. The time is now. Minnesota has the resources; it is up to you to direct them to families.

MCC's Recommended Components for a Nation-Leading Child Tax Credit in 2023

- Fully refundable annual tax credit of $900 per child for children ages 0-4 and $600 for children ages 5-17
- Income thresholds and phase-outs set at levels to allow all families through the 8th Population Decile to receive some portion of credit[1]
- No cap on the total amount of credit that a household can receive per year i.e., no "child cap"
- No minimum earnings requirement to qualify for the full value of the credit
- Credit amount and income phase-out levels indexed annually to inflation
- A commitment by DOR to work towards providing the credit in periodic installments

Thank you for your consideration and for your service to all Minnesotans,

Ryan Hamilton

Ryan Hamilton
Government Relations Associate, Minnesota Catholic Conference
rhamilton@mncatholic.org

[1] See, page 42 of 2021 Minnesota Tax Incidence Study

May 10, 2023

Re: HF1938 Tax Omnibus Bill Article 1, Section 25

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

We urge your support for the Senate position to increase the cap from $50 to $75 for individuals and from $100 to $150 for married couples in the Political Contribution Reimbursement Program. Public participation in the Political Contribution Reimbursement program has been declining, and this increase gives it a needed boost. Public financing of elections strengthens our democracy.

It increases the proportional importance of small donors and average Minnesotans so that candidates do not depend as much on large contributors, lobbyists, or special interests. They encourage voters to participate in political campaigns. The Campaign Finance Board recommended increasing the cap.

A study by the Center for Governmental Studies stated that Minnesota's public finance program has for decades been considered one of the finest in the nation, with a higher participation rate than other states. (88.5 % of candidates participated recently) Raising the refund will increase its effectiveness.

We urge your support for this provision.

Sincerely,

Mary Hartnett
Executive Director
Clean Elections Minnesota
612-644-9411

ITASCA COUNTY

Courthouse
Administrative Services
123 NE 4th Street
Grand Rapids, MN 55744-2600
Office (218) 327-7363 Fax (218) 327-2848

May 9, 2023

To: Chairs Ann Rest and Aisha Gomez
Senator Grant Hauschild
Representative Dave Lislegard

Re: Tax Omnibus Bill (HF 1938 / SF 1811)
Payment In Lieu of Taxes Amendments

The Itasca County Board of Commissioners is writing to both thank you for your efforts to provide greater equity in the distribution of Payment in Lieu of Taxes (PILT) and to encourage your continued advocacy for the funding and amendments to MSA Chapter 477A (PILT), as proposed in HF 1938 and SF 1811.

Itasca County is disproportionately dependent on PILT funding to supplement our levy due to the large acreage of public lands within our boundaries and the constricted opportunities for proportionate tax base growth when compared to other regions of the state. Most of our northern counties contain between 20% to 50% of our land base as public lands.

The 2012 Legislature recognized the fiscal imbalance created by the geographic distribution of public lands in this state by adopting an, as yet, unfilled purpose for the Payment in Lieu of Taxes Program:

M.S.A. Chapter 477A.10: **"Natural Resources Land Payments in Lieu: Purpose: (2) to address the disproportionate impact of state land ownership on units of government with a large proportion of state land."**

HF 1938 and SF 1811 acknowledge this legislative mandate by directing an additional $9 MD in PILT aid to counties with a disproportionate share of state land. We urge your continued support and advocacy for HF 1938 and SF 1811. Thank you for your consideration.

Respectfully,

Burl Ives, Chair
Itasca County Board of Commissioners

cc: Mitch Berggren
Patrick McQuillan

May 9, 2023

Dear Minnesota Legislators,

My understanding is that there is yet time to allow the legislative process to occur for pending bills; HF 304 and SF 131, during the 2023 legislative session. I have offered previous correspondence on this issue and offer a reminder that this legislation pertains specifically to resolve an existing disparity applicable to a number of Minnesota veterans and the ability to exclude pension compensation they receive based on their military service when filing Minnesota State income tax returns. The inadvertent disparity arose with passed legislation during the 2015-2016 biennium that failed to include Minnesota veterans that HF 304 and SF 131 address. This current legislation is what I believe is considered a non-partisan issue and has had bipartisan authors and support during the 2017-2018, 2019-2020 and 2021-2022 legislative biennium's but failed to proceed for passage consideration. I would think that with the research and fiscal notes compiled when the legislation had hearings during the 2021-2022 biennium that minimal time would be needed to conduct hearings this session. With the like party majority in the house and senate and unanimous support of HF 45 in the house on February 20 and in the senate on March 22, which also pertains to some Minnesota veterans, I believe one could expect the same unanimous support should HF 304 and SF 131 be allowed a committee hearing and proceed for passage consideration. On behalf of the Minnesota veterans I have spoken with that this legislation pertains to, I urge you to take action on this important legislation.

Thank you for your consideration and service to the citizens and veterans of Minnesota!

Corey Holm
3530 Guvernorsvej
PO Box 131
Askov, MN 55704
tel: 320-838-3236

distribution: Governor Walz, House party leadership, Senate party leadership, House and Senate Tax Committee chairs, HF 304 and SF 131 chief authors.

SALT Partners

Your Partner in State and Local Taxes

May 10, 2023

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The Honorable Senator Ann H. Rest
75 Rev. Dr. Martin Luther King Jr. Blvd.
Capitol, Room 328
St. Paul, MN 55155

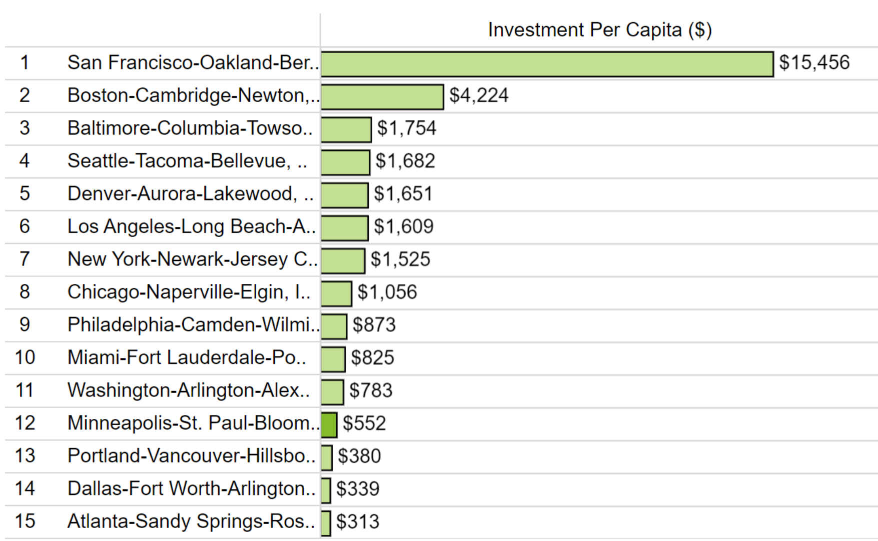
RE: Capital Gains Taxes

Dear Senator Rest:

I am writing to you in connection with the proposal to impose a 1.5% surcharge on capital gains and dividends above $500,000 to $1 million and 4% above $1 million.

This proposal will have a significant, detrimental effect on Minnesota businesses to compete for capital in the private equity markets. In 2021 global private equity investments across the full private capital spectrum hit $1.2 trillion.[1]

According to a study by the Minnesota Department of Employment and Economic Development that looked at investment capital per capita for major metropolitan areas, Minneapolis-St. Paul-Bloomington receive $552 per capita in venture capital investments during 2022.[2] The following table shows investment per capita.



[1] Bain & Company, *The Private Equity Market 2022*
[2] https://mn.gov/deed/data/economic-analysis/compare/compare-metro/innovation/venture.jsp

Private equity investment is extremely important for small to middle market businesses to grow and prosper. Private equity firms make investments in small and middle market businesses across Minnesota.

The Small Business Administration defines "small business" based on industry and by firm revenue (ranging from $1 million to over $40 million) and by employment (from 100 to over 1,500 employees).[3]

Over 1.3 million people are employed by small businesses across Minnesota and small business employs 46.9% of the private workforce.[4]

Private equity investments typically last from four to seven years. Private equity investors earn two revenue streams. First, they receive income (sometime in the form of dividends) from the business while they own the business. Second, they may have income from long-term capital gains when they sell the investment in the business. This second revenue stream is a vital part of the incentive to make investments in Minnesota businesses.

As of 2023 there are 14,089 private equity related firms in the United States.[5] A small proportion of those firms are in Minnesota. To fully "fund" the private equity needs of Minnesota small and middle-market businesses, Minnesota needs to attract private equity flowing into Minnesota.

Even Minnesota's State Board of Investment makes substantial investments in private equity. Of the state pension assets totaling approximately $80.1 billion the board has a targeted allocation percentage of 25 percent for private equity investments.

Private equity investors, whether we like it or not, have a goal to maximize profits from their investments.

A wide variety of factors go into the decision to make a private equity investment such as the potential for growing earnings as well as the relative value of the company. Private equity firms make investments in businesses with the hope of growing revenue and growing the assets of the company.

As part of the calculation in where to make private equity investments, the tax environment of a state where the investment is being considered is a factor in determining where to make investments.

Historically, long term capital gains like private equity investments have been given favorable treatment in taxation. For federal income tax purposes capital gains generally have a lower tax rate than ordinary income.

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[3] US Small Business Administration, *SBA's Size Standards Methodology,* April 2019.
[4] US Small Business Administration Office of Advocacy, *2020 Small Business Profile*
[5] IBISWorld, https://www.ibisworld.com/industry-statistics/market-size/private-equity-hedge-funds-investment-vehicles-united-states/

The maximum federal capital gains tax rate for individuals and corporations for federal income tax purposes is as follows:[6]

Year	Individual capital gains tax rate	Corporate capital gains tax rate
1913–1921	same as regular rate	same as regular rate
1922–1933	12.5%	12.5%
1934–1935	17.7%*	13.75%
1936–1937	22.5%*	15.0%
1938–1941	15.0%	same as regular rate
1942–1951	25.0%	25.0%
1952–1953	26.0%	26.0%
1954	25.0%	26.0%
1955–1967	25.0%	25.0%
1968	26.9%	25.0%
1969	27.5%	25.0%
1970	30.2%	25.0%
1971	32.5%	25.0%
1972–1974	35.0%	25.0%
1975–1977	35.0%	30.0%
1978	33.8%	30.0%
1979	35.0%	30.0%
1980–1981 (*June 9*)	28.0%	28.0%
1981 (*after June 9*)–1986	20.0%	28.0%
1987–1992	28.0%	34.0%
1993–1997 (*May 6*)	28.0%	35.0%
1997 (*after May 6*)–2003 (May 5)	20.0%	35.0%
2003 (*after May 5*)–2012	15.0%	35.0%
2013–2017	20.0%	35.0%
2018-2023	20.0%	21.0%

From a state perspective, most states do not impose a special capital gains tax rate. No state taxes long-term capital gains at a higher rate than ordinary income.

[6] Source: Wolters Kluer (https://www.wolterskluwer.com/en/expert-insights/whole-ball-of-tax-historical-capital-gains-rates)

The following table shows the state capital gains tax rates and whether they have a special rate:[7]

Jurisdiction	Capital Gains Tax Rates	Capital Gains Tax Rate Analysis
Alabama	2% - 5%.	Alabama taxes capital gains at the same rate as ordinary income.
Alaska	No tax.	Alaska does not impose an individual income tax.
Arizona	2.59% - 4.5%.	Arizona has no special tax rate for capital gains and are taxed at the regular tax rate.
Arkansas	0% - 5.9%.	Arkansas does not tax capital gains at a special rate, but exempts a certain percentage of a taxpayer's capital gains.
California	1% - 13.3%.	California does not have a special capital gains tax rate and taxes capital gains as ordinary income.
Colorado	4.55%.	Colorado does not impose a special tax rate on capital gains, but after Jan. 1, 2010, a limited Colorado-source capital gains subtraction is available.
Connecticut	3.4% - 4.75%.	Connecticut taxes capital gains at a special rate for certain taxpayers.
Delaware	2.2% - 6.6%.	Delaware does not provide special treatment for capital gains.
DC	4% - 8.95%.	The District makes no special provision for capital gains taxation.
Florida	No tax.	Florida does not impose an individual income tax
Georgia	1% - 5.75%.	Georgia does not give lower rates to capital gains
Hawaii	7.25%.	In Hawaii, net capital gains are taxed at a rate of 7.25%.
Idaho	1% - 6.5%.	Idaho does not have a special tax rate for capital gains, which are taxed at the regular individual income tax rate.
Illinois	4.95%.	There is no special Illinois state tax rate for capital gains.
Indiana	3.23%.	Indiana does not give favorable treatment to capital gains, and capital gains are taxed at the same rate as ordinary income.
Iowa	0.33% - 8.53%.	Iowa does not offer a special capital gains tax rate and capital gains taxed at the same rate as ordinary income.
Kansas	0% - 5.7%.	Kansas does not tax capital gains at a special rate.
Kentucky	5%.	Kentucky does not have a special tax rate for capital gains.

[7] Source: Bloomberg Tax

Louisiana	2% - 6%.	Louisiana does not provide lower rates for the capital gain income of individual taxpayers.
Maine	5.8% - 7.15%.	Maine does not tax capital gains at different rates than those used for ordinary income.
Maryland	2% - 5.75%.	Maryland does not have a special rate for capital gains and the tax rates applicable to ordinary income apply to capital gains.
Massachusetts	12%.	Massachusetts imposes a 5% tax on the sale of long-term capital assets, and a 12% tax rate on certain capital gains.
Michigan	4.25%	Michigan taxes capital gains at the same rates as those used to tax ordinary income.
Minnesota	5.35% - 9.85%.	Minnesota taxes capital gains at the same rates as used for ordinary income.
Mississippi	0% - 5%.	Mississippi does not impose a special tax rate for capital gains, and the tax rates applicable to ordinary income apply for purposes of calculating income tax on capital gains.
Missouri	1.5% - 5.4%.	Missouri taxes capital gains at the same rates as ordinary income.
Montana	0% - 6.9%.	For tax years beginning after Dec. 31, 2020, Montana taxes net long-term capital gain attributable to the sale or exchange of capital stock of a corporation at an alternative rate of 0%.
Nebraska	2.46% - 6.84%.	Nebraska does not differentiate between ordinary income and capital gains.
Nevada	No tax.	Nevada does not impose an individual income tax.
New Hampshire	5%.	New Hampshire does not tax capital gains at different rates than those used for taxing ordinary income.
New Jersey	1.4% - 10.75%.	New Jersey taxes capital gains at the same rates as those used for taxing ordinary income.
New Mexico	1.7% - 5.9%.	New Mexico taxes capital gains at the same rates as those used for taxing ordinary income.
New York	4% - 8.82%.	New York does not provide favorable lower tax rates to be applied to capital gains.
North Carolina	5.25%.	North Carolina does not tax capital gains at different rates than those used for taxing ordinary income.
North Dakota	1.1% - 2.9%.	North Dakota does not tax capital gains at different rates than those used for taxing ordinary income.
Ohio	0% - 4.797%.	Ohio does not tax capital gains at different rates than those used for taxing ordinary income.

Oklahoma	0.5% - 5%.	Oklahoma does not tax capital gains at different rates than those used for taxing ordinary income.
Oregon	5%.	Oregon provides a reduced 5% rate for long-term capital gains arising from terminating a farming operation.
Pennsylvania	3.07%.	Pennsylvania does not provide a special tax rate to capital gain income.
Rhode Island	3.75% - 5.99%.	Rhode Island does not tax capital gains at different rates than those used for taxing ordinary income.
South Carolina	3% - 7%.	South Carolina does not tax capital gains at different rates than those used for taxing ordinary income.
South Dakota	No tax.	South Dakota does not impose an individual income tax.
Tennessee	Not applicable.	Tennessee does not tax capital gains at different rates than those used for taxing ordinary income
Texas	No tax.	Texas does not impose an individual income tax
Utah	4.95%.	Utah does not provide a special tax rate for capital gains.
Vermont	3.55% - 8.95%.	Vermont taxes capital gains at the same rates as ordinary income, but also offers a state-specific capital gain exclusion.
Virginia	2% - 5.75%.	Virginia taxes capital gains at different rates than those used for taxing ordinary income.
Washington	No tax.	For tax years beginning before Jan. 1, 2022, Washington does not impose an individual income tax on capital gains.
West Virginia	2.36% - 5.12%	West Virginia does not tax capital gains at different rates than those used for taxing ordinary income.
Wisconsin	3.54% - 7.65%.	Wisconsin taxes capital gains at the same rates as ordinary income.
Wyoming	No tax.	Wyoming does not impose an individual income tax.

The table above shows that most states tax long-term capital gains at the same rate as ordinary income. A few states have deductions or exclusions for capital gains: Arkansas, Colorado, Connecticut, Massachusetts, Montana, Oregon, Vermont, and Washington.

Currently, Minnesota's top marginal tax rate on capital gains for individuals is 9.85%. The average top marginal tax rate on capital gains for all states is 5.302%. (This does not consider deductions and exemptions for capital gains.) Currently, Minnesota's top marginal tax rate on capital gains is the fourth highest in the United States after California (13.300%), Massachusetts (12.00%), and New Jersey (10.750%).

If Minnesota were to impose a surcharge of 1.5% on capital gains and dividends above $500,000 to $1 million and 4% above $1 million, Minnesota would have the highest capital gains rate of 13.85% in the country.

In our view, this will have a major impact on the amount of private equity investments flowing into Minnesota.

According to the U.S. Private Equity Index provided by Cambridge Associates private equity produced average annual returns of 10.48% over the 20-year period ending on June 30, 2020.

If Minnesota adds a tax "penalty" of 13.85% on long-term capital gains, Minnesota will simply be a less attractive place to make private equity investments. This, in turn, will reduce the ability of small and middle-market businesses to gain the capital they need to grow and employ more people in Minnesota.

We respectfully recommend that the Minnesota Legislature not enact the proposal for a capital gains tax because it would make Minnesota a less attractive place to invest in small and middle-market businesses, which will have a significant impact on economic growth and employment in Minnesota.

Sincerely,

William Lunka

William Lunka
Director of State and Local Tax

May 9, 2023

To: Senate Tax Chair Rest, House Tax Chair Gomez, Tax Conference Committee Members

Re: Worldwide Combined Reporting in Minnesota

Chairs Rest and Gomez and Members of the Conference Committee on Taxes:

We are writing to express our support for Minnesota's proposed reforms to address the problem of international corporate profit shifting by establishing worldwide combined reporting (WWCR). We wish to dispel the false narratives that this is a flawed or unworkable policy.

A fair and efficient corporate tax system would not favor the biggest and most profitable corporations over smaller domestic competitors. It would also not advantage and reward the most aggressive tax avoiders over those focused on creating economic value. Yet that is the system Minnesota currently has, and so we are pleased to see Minnesota moving towards a reform that would address the unfairness and inefficiency of its current corporate tax system.

Minnesota is not alone either in its concerns about multinational tax avoidance or in its intent to act.[1] Over 140 nations have now signed on to similar reforms at the international level, and the US Congress, led by both Democrats and Republicans, has recently enacted two major tax reforms aimed at countering international corporate profit shifting. The first one was part of the 2017 TCJA[2] and the second was part of the IRA, signed by President Biden this summer.[3]

We were pleased to see that both the Minnesota House and Senate recently passed a reform called Worldwide Combined Reporting.[4] Not only is this reform similar to the ones proposed or adopted at the national and international level, it is in important ways technically superior. It is also administrable and has been upheld by the Supreme Court twice.

The near adoption of WWCR in Minnesota has led to a blizzard of critical claims about WWCR from corporate tax lobbyists[5], the Tax Foundation[6], and the editorial board of the Wall Street Journal.[7] **These various groups have made a number of policy arguments that do not hold up to serious scrutiny.**

<u>As experts in the field, we will use this letter to briefly explain and establish the positive case for WWCR, and then address these counter-arguments.</u>

Profit shifting refers to tax planning techniques that move profits from the jurisdiction in which it is earned to a lower tax jurisdiction.[8] For example, imagine Widget, Inc. sells 1 million widgets in Minnesota with a profit margin of $100 each. Instead of paying Minnesota taxes on $100 million in profits, they instead incorporate a subsidiary in a lower-tax jurisdiction and place their intellectual property in that jurisdiction.

The foreign subsidiary then charges the US-based company $90 per widget for use of its IP. The US-based Widget corporation now records just $10 million of profits in Minnesota.

WWCR would require Widget, Inc. to calculate a single tax base that incorporates each taxpayer's income and expenses, regardless of where they are located. Minnesota would then tax a share of that combined tax base based on the portion of the group's sales that occurred within the state. Because all of the related taxpayers' income and expenses are included in this combined tax base, intercompany transactions like intellectual property leasing do not affect the final calculation. This voids the Widget. Inc. group's ability to shift income.

The precise magnitude of this problem is difficult to estimate, but the weight of authority shows it is considerable, and that national and international efforts to crack down have had a minimal impact. One prominent estimate suggests $300 billion in corporate profits is currently shifted out of the US tax base annually.[9] **In sum, shifted income reflects economic activity that occurred within the United States and should rightfully be taxed here.**

<u>Responses to Criticisms of Worldwide Combined Reporting</u>

The current revenue estimate is methodologically flawed.

Estimated tax revenue is inherently uncertain, but our review of available information suggests no reason to doubt the authority of the Minnesota Department of Revenue on this matter. Moreover, public critiques by the Tax Foundation, which were later cited by the Wall Street Journal, miss the mark. Specifically:

1. The DOR starts from an estimate of shifted income of $235 billion, which is in line with, and actually a little bit less, than more recent estimates of about $300 billion.
2. The Tax Foundation's objection to the DOR's apportionment factor apparently ignores the fact that DOR apportioned just 1% of shifted income to Minnesota, not the 1.8% approximation used by ITEP.
3. The Tax Foundation has criticized the ITEP study for not reducing Minnesota's share of worldwide income to account for foreign sales. This critique is unjustified because ITEP was only adding back in income that was estimated as having been shifted out of the US. Foreign factors would only be required if ITEP was instead adding back in all foreign income and not only that shifted out of the US.

In addition to these flaws in critiques of the estimate, there are other reasons to accept the DOR's figure of about $350 million per year as reasonable.[10] For instance, California's Department of Finance has estimated that a move to WWCR would yield over $4 billion per year for California.[11] Adjusting for the relative size of Minnesota's economy, this would equate to nearly $500 million in annual tax revenue for Minnesota. Although a crude approximation, this suggests DOR has presented a reasonable estimate based on the available information.

WWCR would be difficult or impossible to administer.

There is no doubt that WWCR requires some additional work on the part of taxpayers and governments. But there is little reason to believe it would be especially onerous. For instance, California has long permitted “reasonable approximation” based on ordinary financial records for calculating the income of foreign subsidiaries in connection with WWCR.[12] Numerous such approximations exist, including information reported to the federal government in connection with federal tax provisions meant to combat income stripping, as well as accounting information likely reported to the federal government in connection with the corporate alternative minimum tax, and sales information reported as part of securities filings.

Furthermore, the evidence adduced in the litigation concerning worldwide combined reporting concluded that the costs involved were “relatively modest.”[13] Perhaps most convincingly, **corporate taxpayers readily perform the necessary calculations when is is to their advantage—in states like California, taxpayers elect WWCR when they record losses abroad that have the effect of reducing their US tax liabilities.**[14] Finally, if accounting burdens on smaller firms are a driving concern, a threshold could be adopted so the policy only applies to filers affected by the federal corporate alternative minimum tax.

WWCR will hurt Minnesota’s economic competitiveness.

The Wall Street Journal and corporate interest groups have implied that WWCR would hurt local Minnesota businesses. Minnesota’s corporate tax is not based on the residence of corporations; it is based on where a corporation sells its products. A corporation would not reduce its corporate taxes in the state by moving its facilities out of Minnesota; it could only do that by choosing to make fewer profitable sales in Minnesota, which would not be in their economic interest. In fact, ensuring a level playing field between multinational and Minnesota-based companies could improve the environment for local businesses.

States abandoned WWCR because it was a failed policy.

By the early 1980s, twelve states had adopted WWCR. Large multinational corporations challenged the power of the states to use WWCR and lost twice. At that point, corporations pressured their governments, particularly that of the UK, and the UK pressured the US federal government. The federal government then pressured the states, which abandoned the policy. **States did not abandon WWCR because of policy flaws or administrative challenges.**[15]

WWCR will run into legal challenges.

The Supreme Court has twice upheld the legality of WWCR.[16] We understand there is some concern about the current Court’s relationship to precedent, but we would note that these earlier decisions are grounded on principles of federalism that are less likely to be disturbed by a Court interested in protecting the powers of the states.

WWCR will lead to difficulty with trade partners.

Developments in international tax policy suggest not. **Unlike in the 1980s, the international community and the US federal government now uniformly acknowledge the problem of income shifting and have implemented – or are in the process of implementing – measures analogous to WWCR.** The UK has both a diverted profits tax and a digital service tax in order to combat income stripping, so their objection would seem highly unlikely.[17]

The fact that the OECD did not adopt WWCR shows it is a bad idea.

In Pillar One of its Base Erosions and Profit Shifting convention, the OECD has adopted a form of WWCR and in particular requires consolidation of very large and profitable multinational corporations.[18] Second, the OECD reforms are the product of a complicated multilateral negotiation. The precise path that is right for the OECD is not necessarily right for the United States or Minnesota. Indeed, prominent commentators have suggested abandoning some aspects of Pillar One, which would make it more like WWCR.[19]

WWCR will result in double taxation.

The current regime results in systematic under-taxation and there is no reason to believe that WWCR would lead to systematic overtaxation. This is because Minnesota, or any state that adopts WWCR, will only tax worldwide income in accordance with the percentage of profits earned in its jurisdiction. This is determined by a standard formula, which in Minnesota's case is based on the share of total global sales that occur within its jurisdiction.

In conclusion, we urge lawmakers to ignore the misguided critiques of this sound policy. We applaud Minnesota's bicameral support for WWCR and hope it will be signed into law. **If WWCR does become law, other states may be quick to follow, and we suspect this is the real reason for the explosion of criticisms that we have debunked.**

Thank you for your consideration. Signed (institutions for affiliation purposes only)

Darien Shanske, Martin Luther King Jr. Professor of Law, UC Davis School of Law
Reuven Avi-Yonah, Irwin I. Cohn Professor of Law & Director, International Tax LLM Program, University of Michigan School of Law
Howard A. Chernick, Doctoral Faculty, CUNY Graduate Center
Kimberly Clausing, Eric M. Zolt Chair in Tax Law and Policy, UCLA School of Law
David Gamage, Professor, Indiana University, Bloomington's Maurer School of Law
Hayes Holderness, Professor, University of Richmond School of Law
Erin Scharff, Professor, Arizona State University's Sandra Day O'Connor College of Law
Kirk Stark, Barrall Family Professor of Tax Law and Policy, UCLA School of Law

[1] Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy: Frequently asked questions. OECD.
[2] One key provision is called "Global Intangible Low-Tax Income" (GILTI). IRC Sec. 951A.
[3] This is the Corporate Alternative Minimum Tax. IRC Sec. 55(b)(2).
[4] HF 1938, https://www.revisor.mn.gov/bills/bill.php?f=HF1938&b=house&y=2023&ssn=0
[5] COST Letter in opposition to H.F. 2883 - Worldwide Combined Reporting.
[6] Waczak. 2023. The Faulty Revenue Estimate Behind Minnesota's Consideration of Worldwide Combined Reporting. The Tax Foundation.
[7] Minnesota's Global Tax Grab: Its planned levy on foreign profits via worldwide combined reporting could start a bad trend, Wall Street Journal, May 4, 2023,
[8] For more complicated examples, see Kleinbard, Edward D., Stateless Income, 11 Florida Tax Review 699 (2011), https://ssrn.com/abstract=1791769
[9] Edelberg et al. 2022. Six Economic Facts on International Corporate Taxation. Hamilton Project/The Tax Law Center. (Fact #2: "US multinationals still shift profits into lower-tax countries."); see also Clausing, Kimberly A., "Profit Shifting Before and After the Tax Cuts and Jobs Act." 2020. *National Tax Journal.*73(4). 1233-1266.
[10] Minnesota Department of Revenue. Revenue Analysis, HF 2883: https://www.revenue.state.mn.us/sites/default/files/2023-04/hf2883-combined-worldwide-reporting.pdf
[11] CA DOF, Tax Expenditure Report 2022-23.
[12] *See Barclays*, 512 U.S. 298, 314 (discussing Cal. Code Regs. tit. 18, section 25137-6(e)(1) (1985) (recodified at Cal. Code Regs. tit. 18, section 25106.5-10(e)(1)).
[13] *See* Barclays, 512 U.S. 298, 314, n.13 ("The California Court of Appeal additionally found that Barclays' actual compliance costs were 'relatively modest' during the years just prior to those here at issue, ranging from $900 to $1,250 per annum, for BBI. *See* 10 Cal. App. 4th, at 1760, n.9, 14 Cal. Rptr. 2d, at 548, n.9.").
[14] *See* Daniel Sieburg et al., "Worldwide Combined Reporting: An Underutilized Opportunity," *The Tax Adviser* (Sept. 1, 2019).
[15] For more see, Darien Shanske, *White Paper on Eliminating the Water's Edge Election and Moving to Mandatory Worldwide Combined Reporting*, 89 State Tax Notes 1181 (2018).
[16] Barclay's Bank PLC v. Franchise Tax Bd., 512 U.S. 298 (1994); Container Corp. v. FTB, 463 U.S. 159 (1983).
[17] See Note 1; for the UK's taxes, see https://www.pinsentmasons.com/out-law/guides/diverted-profits-tax-regime; https://www.gov.uk/government/publications/introduction-of-the-digital-services-tax/digital-services-tax.
[18] https://www.oecd.org/tax/beps/pillar-one-amount-a-fact-sheet.pdf
[19] Shay, Stephen E., The Deceptive Allure of Taxing "Residual Profits" (October 27, 2021). 75 Bull. Intl. Taxn. 527 (2021), https://ssrn.com/abstract=4007299 or http://dx.doi.org/10.2139/ssrn.4007299

May 9, 2023

House and Senate Omnibus Tax Conference Committee - HF1938

Dear Chairs Rest and Gomez and Conferees:

We are writing to request that you include the Senate's proposed Historic Tax Credit (HTC) program. The House did not include this program.

Minnesota's HTC is a unique economic development tool that both fosters economic growth and leverages adaptive uses of historic buildings of importance into new uses that directly benefit the citizens of the state of Minnesota. Through the work of organizations like ours --the HTC supported new housing, and new *affordable* housing as well as numerous community impact projects that truly advance the needs and aspirations of communities all across the state.

The impact of the HTC is measurable. It has already generated more than $5 billion in economic activity since it began in 2010. It has created more than 28,000 jobs and generated more than $1.9 billion in income for labor. It has also been used in meeting our state's desperate need for more housing, which many research organizations name as 100,000 more homes needed right now to meet our current housing goals. Finally, commercial development is well suited for historic buildings and brings economic vitality to our communities.

Our organizations, along with dozens of others across the state are counting on the return of the State HTC to ensure we keep Minnesota moving forward.

Sincerely,

Tim Baylor President & CEO JADT Group	Dorothy Bridges President & CEO MEDA	George Sherman CEO Sherman Associates	J. Kou Vang President & CEO JB Vang

CC:
Senate Majority Leader Kari Dziedzic
House Majority Leader Jamie Long
Speaker of the House Melissa Hortman

MINNESOTA
HISTORICAL
SOCIETY

May 11, 2023

TO: Senator Ann Rest, Chair
Representative Aisha Gomez, Chair
and Members of the Taxes Conference Committee

FROM: Kent Whitworth, Director and CEO Kent Whitworth

RE: Historic Preservation Tax Credit Extension

As you continue your work in the 2023 Taxes Conference Committee, the Minnesota Historical Society requests that you include an extension of the Historic Preservation Tax Credit in the final tax bill. This successful program has a strong track record of preserving our communities and making a significant contribution to our state's economic well-being.

Since its passage in 2010, this incentive has helped to create thousands of good paying, labor-intensive jobs, while stimulating our construction economy and spreading economic benefits through communities across Minnesota. In addition, since many of the projects that have successfully used the historic tax credit have done so with projects that include housing, this credit can help to solve one of our state's most serious challenges.

As importantly, this program has helped to preserve historic places statewide. In Minnesota, we have had a mixed track record of preserving our built past. Historic places can help to teach us about our past and can serve as a connecting point between the past and the present. We learn from our surroundings, and having incentives to preserve these resources helps to reinforce the power of place in building and maintaining our communities.

Thank you for your consideration of the extension of the Historic Preservation Tax Credit.

May 10, 2023

House and Senate Omnibus Tax Conference Committee – HF1938

Dear Chairs Rest and Gomez and Conferees:

We are writing to support the SENATE POSITION to reduce the classification rate of the 4d affordable housing property tax rate from 0.75 percent to 0.25 percent to address two very several serious fiscal solvency matters effecting affordable housing across the State of Minnesota:

- Staggering valuation increases driven by market rate housing valuations. (74% over a seven-year period) that have ultimately wiped out the effect of the original 4d property tax rate.
- Higher property taxes that have reduced operator's ability to keep rents low and reinvest in properties as well as a creating a disincentive for the retention of low-income properties as affordable when they are sold and requires more public subsidy when creating new affordable units.

Reducing the classification rate to 0.25 percent for all Class 4d properties would allow operators to offset the impact of COVID-19, keep rent increases to a minimum, and leverage more private debt (reducing public investment required) when building new affordable housing.

Our organizations, along with dozens of others who develop, own and operate affordable housing across the state are counting on an improved tax rate that matches market realities in order to keep more housing affordable for our residents.

Sincerely,

Johnny Opara	Peter McLaughlin	George Sherman	J. Kou Vang
President & CEO	Executive Director	CEO	President & CEO
JO Companies	LISC Twin Cities	Sherman Associates	JB Vang

CC:
Senate Majority Leader Kari Dziedzic
House Majority Leader Jamie Long
Speaker of the House Melissa Hortman

218-689-5521
218-634-2509 (FAX)
edarnesen@gmail.com

LAKE OF THE WOODS COUNTY

Lake of the Woods County Commissioners

Ed Arnesen, Chair
206 8th Ave SE Suite 260
Baudette, MN 56623

May 9, 2023

Pat McQuillan
Committee Administrator
451 State Office Building
100 Rev Martin Luther King Jr. Blvd
St. Paul, MN 55155

Dear Mr. McQuillan:

I am writing on behalf of the Lake of the Woods County Board of Commissioners. We would like to thank you for your efforts to provide greater equity in the distribution of Payment in Lieu of Taxes (PILT) and to encourage your continued advocacy for the funding and amendments to MSA Chapter 477A (PILT), as proposed in the House version: HF1938/Omnibus Tax Bill.

Lake of the Woods County is disproportionately dependent on PILT Funding to supplement our levy due to the large acreage of public lands within our boundaries and the constricted opportunities for proportionate tax base growth when compared to other regions with the state. Most of our northern counties contain between 20% to 50% of our land base as public lands. In Lake of the Woods County, the public lands are at approximately 60%.

With the 2012 Legislature recognized the fiscal imbalance created by the geographic distribution of public lands in this state by adopting an as yet unfilled purpose for the Payment in Lieu of Taxes Program:

> **MSA Chapter 477a.10 "Natural Resources Land Payments in Lieu: Purpose: (2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land."**

The House version of HF 1938/Omnibus Tax Bill acknowledges this legislative mandate by directing additional money in PILT aid to counties with a disproportionate share of state land. We urge your continued support and advocacy for the House version of HF 1938.

Thank you for your consideration.

Sincerely,

Ed Arnesen,
Lake of the Woods County Board Chair

PRISM

1220 Zane Avenue North
Golden Valley, MN 55422
763.529.1350
prismmpls.org

May 8, 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 PRISM 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.

PRISM receives hundreds of calls monthly for people seeking assistance with rent. We currently have three staff dedicated to the Housing Program and are struggling to keep up.

PRISM supports the expanded Renters Credit because maintaining stable, affordable housing is fundamental to our community's health, education, and economic prosperity. The nonprofit sector simply cannot absorb the high level of need our neighbors are experiencing. We are in critical need of additional public support and the Renters Credit is this opportunity.

Thank you so much for all your work on behalf of Minnesota families, and for your ongoing support of PRISM 😊.

Sincerely,

Michelle Ness, MSW, LISW

Executive Director

mness@prismmpls.org

763.432.4201

May 8, 2023

WEST CENTRAL MINNESOTA
Communities Action
HELPING PEOPLE. CHANGING LIVES.

The Honorable Ann Rest
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 West Central Minnesota Communities Action, Inc. 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.

West Central Minnesota Communities Action has been active for many years, serving low-income households in Traverse, Stevens, Douglas, Pope, and Grant County. We offer many vital services such as Emergency Housing to support renters, Affordable Homeownership Programs, MNsure Assistance, Energy Assistance and Weatherization. We provide education through Head Start Programs; we also house the FAIM program and provide free tax preparation through the VITA Tax Program. We offer programs to serve our aging community as well.

WCMCA supports the expanded Renters Credit because many of our clients come to us during the tax season only to file for the rent credit. During the 2022 tax filing season, 534 clients filed for the rent credit. This credit provides them with extra financial stability. So many of our families live on a fixed budget, and with gas prices and groceries being so expensive, any extra financial help can make all the difference. Every year, I sit across the desk from clients while doing their taxes and I hear from so many that their rent continues to increase every year. They talk about how it has become increasingly difficult to get ahead, barely making ends meet. I do believe the Renters Credit is vital to so many low-income families and individuals and including the provisions mentioned above would only better our clients' lives.

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

Sincerely,

Megan Radermacher

Megan Radermacher
WCMCA VITA Tax Program Coordinator