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March 3, 2026

House File 3127 (Davids)

Chair Davids, Chair Gomez, and House Taxes Committee Members,

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses across Minnesota. Our mission is to promote and protect the rights of our members to own, operate, and grow their businesses.

NFIB Minnesota supports HF 3127, which extends the expiration of Minnesota's Pass-Through Entity (PTE) Tax. In Minnesota, most small businesses are structured as pass-through entities and pay state income tax at the individual level. Preserving the option for these small businesses to file their taxes on an entity level will allow them to continue to maximize their federal deduction opportunities. This will reduce their federal tax burden while not impacting tax revenue to the state.

For a small business, the potential tax savings from this election can have a real impact on cash flow, which has a direct effect on hiring & compensation decisions, capital investment, and business expansion. By allowing the PTE election to continue, small business owners can reinvest these dollars and put them to productive use – all at no fiscal cost to the state.

Thank you for the opportunity to provide comments. We urge the committee to support HF 3127.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Boesche".

Jon Boesche
Minnesota State Director
National Federation of Independent Business
jonathan.boesche@nfib.org



March 6, 2026

Representative Greg Davids
2nd Floor Centennial Office Building
St. Paul, MN 55155

Re: Extend the Minnesota Pass-Through Entity (PTE) Tax Election

Dear Representative Davids,

As business owners in Minnesota and on behalf of Midco, we are writing to express our strong support for extending Minnesota's Pass-Through Entity (PTE) tax election, which expired on Dec. 31, 2025. Legislative action on **Senate File 3405** or **House File 3127** is essential to restoring certainty for Minnesota businesses and ensuring Minnesota taxpayers continue to receive meaningful federal tax relief.

Extending the PTE election saves Minnesota taxpayers \$400 million in federal tax at no cost to Minnesota state revenue.

Why this matters:

- **Higher federal taxes without an extension:** The PTE election is the most effective tool available for many Minnesota taxpayers to offset the federal \$10,000 cap on state and local tax deductions. Without it, some Minnesotans will face higher federal tax bills for the same income.
- **No cost to Minnesota:** The Minnesota Department of Revenue has confirmed the election is revenue-neutral. The same amount of tax is collected—this simply determines whether Minnesotans can deduct it federally.
- **Fair treatment under the tax code:** The election ensures partnerships and S Corporations, like Midco entities structured in this manner, are treated on par with C Corporations under the tax code.
- **Federal savings stay in Minnesota Communities:** Estimated federal tax savings of \$400 million remain in local communities—supporting local businesses, and economic stability across Midco's Minnesota service areas.

• **Keeps Minnesota competitive:** More than 30 states currently offer similar PTE workarounds. Allowing Minnesota's election to lapse places Minnesota-based taxpayers at a competitive disadvantage relative to neighboring states.

How this impacts Midco and the customers we serve:

As a regional broadband provider with operations throughout Minnesota, Midco invests heavily in network expansion, reliability, and customer service. Preserving the PTE election supports financial stability for our company and for thousands of Minnesota businesses and households that rely on Midco for essential connectivity.

The clarity provided by an extended PTE election strengthens our ability to plan long-term investments that enhance broadband access, promote rural connectivity, and support economic growth across Minnesota.

Please feel free to contact us with any questions. Thank you for your time and consideration.

Sincerely,



Pat McAdaragh
Chair and CEO
pat.mcadaragh@midco.com



Steve Grosser
Vice Chair and EVP
steve.grosser@midco.com



THE CHAMBER
FARGO MOORHEAD WEST FARGO

Monday, March 2, 2026

Co-Chair Davids and Co-Chair Gomez:

My name is Cale Dunwoody, and I have the pleasure of serving as the Vice President of Public Policy for the Fargo Moorhead West Fargo Chamber of Commerce. On behalf of our more than 1,600 members, I respectfully submit this letter in support of H.F. 3127 and legislation relating to Minnesota's conformity with the 2025 federal reconciliation bill, H.R. 1.

In an increasingly dynamic and competitive global economy, pro-growth tax policies are essential to strengthening Minnesota's economic competitiveness — particularly in border communities that directly compete with neighboring states for investment, workforce and economic development.

H.R. 1 includes several provisions that directly support the vibrancy and vitality of the business community, including:

- Research and Development Expensing
- Section 179 Expensing
- Bonus Depreciation
- Interest Expensing
- Pass-Through Deductions

State conformity ensures Minnesota businesses can fully realize the benefits of these federal provisions without added complexity or unintended tax burdens.

We respectfully urge the House Taxes Committee to support H.F. 3127 to extend the state's pass-through entity tax and advance additional legislation that strengthens Minnesota's tax environment and promotes long-term economic growth.

Thank you for your attention to this matter and your continued commitment to Minnesota's business community.

Sincerely,

Cale Dunwoody
Vice President of Public Policy
Fargo Moorhead West Fargo Chamber of Commerce



THE CCIM INSTITUTE
Minnesota/Dakotas Chapter



March 3, 2026

Re: Support for HF 3127 / SF 3405

To Members of the Minnesota House and Senate Tax Committee:

On behalf of NAIOP Minnesota, the Commercial Real Estate Development Association, Minnesota Realtors®, ICSC and CCIM we respectfully submit this letter in strong support of HF 3127 / SF 3405.

The bill restores the state's pass-through entity (PTE) tax election following the expiration of federal SALT-related provisions on December 31, 2025. Action is now required to renew this important provision which has provided meaningful tax fairness to small business owners and investors across Minnesota.

The federal cap on State and Local Tax (SALT) deductions created a significant inequity for pass-through entities. Minnesota's PTE workaround allowed businesses to pay their state tax liability at the entity level, ensuring the expense could be properly deducted in the year incurred. This mechanism does not reduce state revenue; rather, it preserves the intended deductibility of legitimate business expenses and provides substantial federal tax savings to small and mid-sized businesses.

Minnesota remains a comparatively high-tax state, with elevated income, sales, and property taxes. Commercial and industrial property owners shoulder particularly significant burdens — including higher classification rates, county and municipal levies, school district taxes, and the state general levy, which alone adds roughly 25 percent to commercial property tax bills. These are fixed costs that businesses cannot control.

Extending the PTE SALT deduction election helps maintain Minnesota's competitiveness and affordability, especially for locally owned businesses and real estate partnerships that drive job creation and investment. It is a straightforward, revenue-neutral policy that simply ensures legitimate expenses are treated fairly under the tax code.

We respectfully urge your support of HF 3127 / SF 3405 to provide certainty and continued tax equity for Minnesota businesses.

Thank you for your consideration.

Roz Peterson, Public Policy Director, CCIM & ICSC MN Government Relations Chair
NAIOP Minnesota The Commercial Real Estate Development Association
4248 Park Glen Road, Minneapolis, MN 55416 roz@naiopmn.org 612-708-5281

Paul Eger
Senior Vice President, Governmental Affairs Minnesota Realtors®



March 2, 2026

Rep. Greg Davids, Co-Chair
2nd Floor Centennial Office Building
St. Paul, MN 55155

Rep. Aisha Gomez, Co-Chair
5th Floor Centennial Office Building
St. Paul, MN 55155

Dear Co-Chair Davids, Co-Chair Gomez, and Members of the House Taxes Committee:

On behalf of the Minnesota Automobile Dealers Association (MADA), which represents the state's 365 franchised new car and truck dealerships, I write to express our support for H.F. 3127. Extending the Pass-Through Entity Tax (PTET) is a way to provide tax relief to many businesses without reducing state revenue.

As you are aware, the PTET was created to help S corporations and partnerships overcome the federal cap on SALT deductions. Since PTET expired at the end of calendar year 2025, without legislative action, these businesses could see significantly higher federal tax bills. Many automobile dealerships are structured as S corporations or partnerships and would see a reduced federal tax liability with the PTET extension contained in H.F. 3127.

Franchised car and truck dealerships provide their employees with good-paying jobs and benefits, and are known for giving back to their communities. MADA encourages the committee to pass this bill and provide state revenue-neutral tax relief to businesses across the state. Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink that reads 'Amanda C. Duerr'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Amanda Duerr
Director of Government Affairs
Minnesota Automobile Dealers Association

March 2, 2026



Chair and Members of the House Taxes Committee
Minnesota House of Representatives
State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re: Support for HF 3127 – Extension of the Pass-Through Entity Tax

Dear Chair and Members of the Committee:

On behalf of the Minnesota Bankers Association (MBA), I am writing to express our strong support for HF 3127, which extends the pass-through entity (PTE) tax through tax year 2027. As Minnesota's largest banking trade group, the MBA represents more than 95 percent of the state and national banks chartered in Minnesota. In addition, we represent more than 40 banks that are headquartered outside Minnesota but have branches in our state. Our membership includes banks of all sizes, including several large national banks and a handful of regional banks. However, the vast majority of our members are community banks.

Minnesota has the third most bank charters in the country. Community banks proudly play an important role in the local economies of our state, providing essential financing to small businesses, farms, and families throughout Minnesota. Many of our customers operate as pass-through entities, such as partnerships, S corporations, and limited liability companies. The PTE tax, enacted in 2021, allows these entities to elect to pay state income taxes at the entity level, providing a refundable credit to owners. This mechanism effectively circumvents the federal \$10,000 cap on state and local tax (SALT) deductions, enabling full deductibility of Minnesota taxes on federal returns. Without this extension, the PTE tax is set to expire after tax year 2025, potentially increasing the tax burden on Minnesota's pass-through businesses at a time when economic pressures remain high.

Extending the PTE tax will:

- **Preserve Tax Relief for Small Businesses:** By allowing entity-level taxation, HF 3127 ensures that owners of pass-through entities can continue to deduct state taxes without limitation on their federal returns, reducing their overall tax liability and freeing up capital for reinvestment, job creation, and growth.
- **Support Economic Competitiveness:** Minnesota competes with neighboring states for businesses and talent. Extending the PTE tax keeps our state attractive to

entrepreneurs and investors, preventing an exodus to jurisdictions with more favorable tax structures. This is particularly important for rural and underserved areas where community banks play a vital role in economic development.

- **Benefit Community Bank Customers:** Our institutions lend to and partner with thousands of pass-through entities. A higher tax burden on these businesses could strain their finances, increasing credit risks and limiting their ability to expand. By contrast, extending the PTE tax promotes financial health among our borrowers, strengthening the overall banking ecosystem in Minnesota.
- **Maintain Revenue Neutrality with Broader Benefits:** As noted in the Department of Revenue's analysis, the PTE tax is generally revenue neutral for the state while providing tangible federal tax savings to Minnesotans. This extension addresses federal policy uncertainties and ensures continuity for taxpayers.

We urge the committee to advance HF 3127 to provide certainty and support for Minnesota's small business community. The MBA stands ready to work with lawmakers to promote policies that foster a thriving economy. Thank you for your consideration of this important legislation.

Sincerely,

Joe Witt
President/CEO
Minnesota Bankers Association





March 9, 2026

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Re: HF3127/SF3405 (pass-through entity tax restoration)

Chair Rest, Co-Chair Gomez, and Co-Chair Davids:

I write to you on behalf of the Minnesota State Bar Association (MSBA). The MSBA is a voluntary professional association that represents approximately 13,000 attorneys throughout the state. We urge you to pass HF3127/SF3405 and restore Minnesota's pass-through entity tax election.

Law firms that are structured as S Corporations or Partnerships—especially small and mid-sized firms— have benefited from the economic competitiveness provided by Minnesota's pass-through entity tax election. Passage of HF3127/SF3405 would continue to provide significant federal tax savings and help maintain Minnesota law firms' economic competitiveness and recruiting ability in an increasingly nationalized field.

The MSBA urges you to swiftly pass HF3127/SF3405 and provide certainty to law firms, which employ a substantial number of Minnesotans in both legal and non-legal roles, and allow them to better anticipate cash-flow and avoid unnecessary costs.

Thank you for your consideration.

A handwritten signature in blue ink, appearing to read "Tom Pack".

Tom Pack
MSBA President, 2025-26