

**To: MN House Taxes Committee**

**Date:** 4/27/2026

**Subject:** Testimony Regarding HF 5040: Support with Amendment to Subdivision 4

Dear Co-Chairs Davids and Gomez, Co-Vice Chairs Joy and Norris, and Members of the House Taxes Committee,

I am writing to you today to express my general support for House File 5040, which establishes a 100 percent tax on amounts obtained through fraud against state programs. It is encouraging to see such strong, bipartisan collaboration on legislation designed to hold bad actors accountable when they intentionally use deceit to siphon public money.

However, I must register a strong objection to the current language in Section 1, Subdivision 4, which governs the deposit of these collected funds. As currently drafted, *the bill mandates that the money be deposited into a "tax relief account" to be used solely for income or property tax relief.*

While tax relief is a worthy legislative priority, applying it here fundamentally misdirects the recovered funds. *If an individual or organization defrauds a specific state or federal service or program, redirecting the recovered money toward general tax relief effectively finalizes the theft from that program.* Why would we take money gained through fraud and re-direct it for other purposes, rather than returning it to its source?

The logical and just remedy is to ensure that the programs victimized by fraud are made whole. I respectfully urge the committee to amend Subdivision 4 to dictate that collected funds be deposited into an account dedicated to paying restitution directly back to the services that were defrauded. This ensures the public money can be re-utilized exactly as the legislature initially intended.

Thank you for your time, your public service, and your consideration of this necessary amendment.

Sincerely,

Mike Babcock

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