



April 6, 2021

Representative Paul Marquart
Chair, House Tax Committee
597 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Boulevard
Saint Paul, MN 55155

Re: Omnibus Tax Bill, House File 991

Chair Marquart and Members of the Tax Committee,

On behalf of the Medical Alley Association's more than 600 members, I'd like to thank you for the opportunity to provide input on House File 991. Medical Alley Association acknowledges the difficult decisions facing this committee and appreciates the dedication and commitment it will take to come to an agreement on the tax bill with the Senate and the Governor. Below are a few provisions Medical Alley Association is pleased to support, as well as some we have concerns with.

Support

Funding for the Angel Tax Credit Program

Medical Alley Association appreciates one-time funding for the Angel Tax Credit Program (ATCP) being included in the bill.

The ATCP is vital to keeping Minnesota a destination for entrepreneurs across technology sectors. Additionally, nearly half of all states have programs similar to the ATCP – including regional competitors like Illinois, Iowa, and Wisconsin – making the program vital to continuing to attract investment dollars for Minnesota innovators. Dedicating funding, specifically ongoing funding, for the ATCP is one important thing the state can do to continue growing Minnesota's startup ecosystem and generate growth for the decades to come.

As this bill moves forward, we urge the author to provide ongoing and stable funding to the Angel Tax Credit Program, of \$20 million annually, to fully unlock its benefit for entrepreneurs across the state.

Federal Conformity

Medical Alley Association thanks the bill author for including partial conformity to federal tax law. Of note, partial conformity for PPP loans is an important step in the right direction to help Minnesota companies recover from the pandemic. Rather than charting its own course here, Minnesota should fully conform to federal tax law with regards to PPP loans and prevent many small businesses from receiving a large tax bill at a time when they can least afford it. We urge the author to ensure that full conformity to PPP loans is part of any signed tax legislation.

Concerns

Impact on Minnesota's Competitiveness

Medical Alley is a national hub for innovation and investment and overall competitiveness is a critical part of continuing to attract companies and high-skilled talent to Minnesota. While competitiveness is a holistic concern, factoring in considerations such as education, infrastructure, and quality of life, high tax burdens are a significant factor, especially without reciprocal large investments targeted at research, development, and innovation. For this reason, we urge the author and committee to reconsider the provisions in this bill that negatively impact competitiveness and place Minnesota at a continuing disadvantage relative to other states.

No Language Improving Access to R&D Tax Credit

Medical Alley Association encourages the author and committee to consider including language from H.F. 227 that improves access to the Research and Development Tax Credit for startup and emerging companies.

The R&D tax credit is another tool Minnesota can use to attract investment and innovation. Improving access to this credit will encourage even more companies to apply for it. This credit can be a key tool for small and startup companies as they consider investing in R&D initiatives.

Thank you again for the opportunity to share our input on this legislation. Please let me know if Medical Alley Association can provide any additional information or be a resource for this committee.

Sincerely,



Lilly Melander
State Policy and Advocacy Director
Medical Alley Association