



Chair Moran and Members of the House Ways and Means Committee:

We are writing to express our support for HF 991, the House Omnibus tax bill. In addition to funding much-needed investment in Minnesota's schools and communities, this bill would improve Minnesota's long-term budget outlook while making its tax code more progressive. By raising revenue from top earners and large profitable corporations, HF 991 adjusts Minnesota's tax code in accordance with lessons learned over the course of a painful pandemic recession, which saw the rich get richer while many struggled to make ends meet. Additionally, the enhanced tax credits included will counter some regressive features of Minnesota's tax code, putting money back in the pockets of the Minnesotans who need it most.

First and foremost, HF 991 would provide much-needed revenue to strengthen Minnesota's medium-term budget picture. Although recent estimates project a substantial surplus for the 22-23 biennium, the majority of these excess funds are comprised of one-time money. The structural portion of the surplus is a slim \$260 million or just one half of one percent of current law spending over that period. Importantly, this figure ignores cost increases resulting from inflation and is predicated on optimistic assumptions of a rapid recovery that could easily fail. Under current law, Minnesota will likely face a structural deficit for the 2024-25 biennium if not before.

Importantly, new revenues raised by HF 991 will come from two progressive and well-justified tax increases on the rich. First, a new 5th-tier personal income tax bracket of 11.15 percent applying to annual taxable income over \$1 million for joint filers and \$500,000 for single filers will counter some of the recent tax cuts received by these top earners at the federal level. The 1.3 percentage-point increase is equivalent to half of the rate cut received by top filers under the 2017 Tax Cuts and Jobs Act, which overwhelmingly benefited the wealthiest Americans and largest corporations. Second, the inclusion of foreign earnings sheltered abroad in Minnesota's corporate franchise tax base will end a common tax evasion practice of powerful multinational corporations. This proposal is especially appealing because the taxation of multinational profits is not associated with the theoretical burden-shifting that is sometimes thought to make corporate taxes modestly regressive. These revenues, when spent on productive investment in state priorities, will have the effect of increasing economic activity by redirecting the stagnant earnings of the wealthy and large profitable corporations into Minnesota's economy and the pockets of those who need it.

Finally, HF 991 strikes a highly reasonable balance between the immediate concerns of the business community seeking aid in recovery from the pandemic recession, and the state's medium-term investment needs. The corporate election option will effectively repeal the \$10,000 SALT cap for Minnesotans generating self-employment income and will thus reduce their effective state and local tax burden substantially. This, in addition to other business tax cuts such as partial PPP loan conformity, will make Minnesota's tax code even more conducive to business interests.

Sincerely,

A handwritten signature in cursive script that reads "Eric H. Bernstein".

Eric Harris Bernstein  
Policy Director, We Make MN