



May 7, 2019

The Honorable Roger Chamberlain, chair of Senate Taxes Committee
The Honorable Paul Marquart, chair of House Taxes Committee

Senator Chamberlain and Representative Marquart:

My name is Shawn Smith and I am the chair of NAIOP Minnesota's Public Policy Committee. NAIOP is the leading organization for Minnesota's commercial and industrial real estate developers and owners.

We have testified before both of your committees, and we thank you and the conferees for the opportunity to speak with you regarding the commercial real estate industry in the coming weeks. By nearly every independent measure, Minnesota's business climate continues to suffer because of our tax climate. NAIOP supports the Senate language that reduces the statewide general levy. Reducing the state general levy will help offset many of the base broadeners that are inevitable as Minnesota conforms with the Federal Tax Cuts and Jobs Act (TCJA).

In context, Governor Walz's proposal to reinstate the statewide general levy inflator would be reversing important tax reforms that were started in 2017. As for the House position, establishing a tax rate in statute rather than a levy amount will raise taxes automatically during a growing economy, give local assessors incredible authority, and limit the incentive to spur economic growth by broadening our commercial industrial tax base. As tax revenue from the statewide general levy increases, we will find ourselves further behind in the affordability gap between Minnesota and nearby states, with little legislative accountability for its impacts.

NAIOP does support the House language regarding conformity of the historic tax credit. The House language is current law and allows 100% credit the year placed in service. The Governor and Senate conform with the Federal TCJA and would spread the credit out over five years. Historic value of certain property should be retained and be a priority for our state. Conforming to the federal changes threatens that through pricing inefficiency. Spreading the payment of this credit over five years will lengthen investors' tax liability, introduce timing uncertainty, and ultimately stifle development. The current law provides greater efficiency of the credit, allowing for more of this credit to be applied to the project. The current law sunsets in 2021 and while Congress is already addressing this law, NAIOP further supports extending the sunset.

We look forward to working with you to develop an omnibus tax bill that will benefit all Minnesotans and be signed into law by Governor Walz.

Sincerely,

A handwritten signature in black ink that reads "Shawn Smith". The signature is written in a cursive, flowing style.

Shawn Smith
Chair, NAIOP Minnesota Public Policy committee
(651) 353-9515

CC: Senator Ann Rest
Senator David Senjem
Senator Gary Dahms
Senator Jeff Howe
Representative Greg Davids
Representative Diane Loeffler
Representative Dave Lislegard
Representative Aisha Gomez