



March 7, 2024

RE: HF 3769 (Lislegard) NOL effective date fix

Chair Gomez and Members of the Minnesota House Taxes Committee,

The Minnesota Chamber of Commerce represents over 6,300 businesses of all sizes and industries employing over 500,000 employees in MN. We advocate for public policies to strengthen Minnesota's business climate and to help grow Minnesota's economy. We thank Chair Lislegard for authoring this bill to fix the net operating loss (NOL) drafting error effective date from the 2023 omnibus tax bill in order to prevent a \$14.8 million tax hit this tax filing season for many small businesses. This will also help fulfill the Tax Chairs letter of intent from June 27, 2023 that this error would be fixed at the "earliest possible opportunity".

The NOL provision was one of the nearly \$600 million business tax increases inserted in the 2023 tax conference committee the last week of session. The NOL provision deals with the ability of businesses with operating losses to be able to carryforward those losses to offset future taxable income. The ability to offset previous operating losses in future years is especially important for start-up companies and those operating in cyclical industries as it allows businesses to even out business profitability helping businesses get through lean years. Minnesota is now deviating from the federal cap of 80% and moving to a 70% cap which will subject more income to taxation in Minnesota than at the federal level. The 2023 conference committee agreement had an effective date for tax year 2024 which at least gave a little more notice and planning time for taxpayers. The 2023 bill language mistakenly had a date of tax year 2023 which means taxpayers would be paying higher taxes this filing season.

The testimony provided earlier in session was that the NOL effective date fix was not included in the early tax bill of HF 2757 due to a request from the Governor's office to wait until the February forecast in order to see if resources were available to cover this \$14.8 million one-time cost. The February forecast now shows there are sufficient one-time resources available to fix this drafting error and no reason to wait at this point.

We urge you to support H.F. 3769 and to send this to the floor for quick passage in order to prevent taxpayers from having to pay more in taxes this filing session and to avoid having to file amended returns.

Thank you,

Beth Kadoun

Beth Kadoun
Vice President of Tax and Fiscal Policy
Minnesota Chamber of Commerce