



April 16, 2021

Representative Rena Moran, Chair  
House Ways and Means Committee  
449 State Office Building  
St. Paul, MN 55155

Dear Chair Moran:

I am writing to express support for many of the provisions included in HF991, as amended. When Governor Walz and Lt. Governor Flanagan proposed their budget, they prioritized those hit hardest by the COVID-19 pandemic: working families, small businesses, and students. The Governor's tax and budget proposal and HF991 raise important revenue in order to make critical investments in these communities.

These shared priorities also include tax relief for Minnesota families in the form of increases to the Working Family Credit, a subtraction for unemployment insurance benefits, and increases to the property tax refund programs. Support for Minnesota businesses includes an extension of the Angel Tax Credit, conformity with federal tax changes, and a needed update to section 179 expensing.

It is our desire to work closely with the legislature to ensure that the Department of Revenue can assist Minnesotans in recovering from the COVID-19 pandemic and thrive in the future.

### **Working Family Credit**

The pandemic and recession have especially hit low-wage sectors, such as restaurant, warehouse, grocery store workers, and health aides. Expanding the Working Family Credit to single adults or those who don't claim dependents, as well as younger adult taxpayers who have fewer supports, would help boost the income of many more Minnesotans, including those in low-wage jobs who are doing essential work during the pandemic.

As we move forward, we hope to continue to discuss the inclusion of the Governor's proposals to further increase the Working Family Credit amounts and phase-outs and extend the credit to 19 and 20-year-olds.

### **Unemployment Insurance Benefits Subtraction**

Similar to the Governor's budget, HF991 as amended, provides a one-time subtraction for unemployment insurance benefits received in 2020. The only difference between the two proposals is that the Governor's subtraction does not include an income limit.

Tens of thousands of Minnesotans experienced job loss as a result of the COVID-19 pandemic and relied on unemployment insurance this last year. HF991 as amended and the Governor's budget allocate substantive funds to provide tax relief for these affected taxpayers.

### **Federal Conformity**

HF991 as amended takes a similar approach to the Governor's bill to provide simpler tax filing and long-term record keeping for individuals and businesses through conformity with many of the provisions of federal law that have been enacted since December 31, 2018.

We are grateful that the amended version of HF991 includes the Governor's targeted approach for businesses that receive federal forgiveness for their Paycheck Protection Program loans. These businesses will be allowed an exclusion of the first \$350,000 from Minnesota income.

Approximately 90% of the loans received in Minnesota are in amounts of less than \$350,000 and therefore the entire amount would be excluded. This will help ensure that Minnesota's small businesses remain an economic engine for communities across the state.

### **Angel Tax Credit**

Similar to the Governor's budget, the amended bill contains an extension of the Angel Tax Credit. The Angel Tax Credit provides incentive for investors or investment funds to put money into early stage companies focused on high technology and new proprietary technology. The program has issued over \$100 million in credits to investors to spur economic growth. The credit is extended for an additional year for \$10 million.

### **Property Tax Relief**

We commend Chair Marquart and the Taxes committee for including expansions to the Homeowner's Homestead Credit Refund and the Renters Property Tax Refund. These are important programs that provide property tax relief to over 850,000 Minnesotans. We know that this year has been difficult for people with low or fixed incomes, and these refunds provide effective and targeted support for these households. This is an important program for helping reduce the cost of housing and shore up taxpayers' ability to meet basic needs. HF991 as amended increases the amount of the credit and expands the income thresholds for the Homestead and Renters credits, providing \$30 million dollars in relief in property taxes refunds payable in 2022.

### **Vapor Taxes**

We appreciate the inclusion of the vapor delivery sales language in the bill. These provisions will make sure that Minnesota's laws are updated to reflect federal changes to the PACT Act that passed in December. We also appreciate the inclusion of devices under the 95% wholesale

other tobacco product tax. We know that price is one of the biggest deterrents of youth smoking.

**Efficient Administration**

Lastly, we want to thank Chair Youakim, the Property Tax Division, Chair Marquart, and the Taxes committee for including many of the provisions in the department's policy and technical bill as well as many of the recommended tax updates from the Governor's budget. We are also appreciative of the proposals that raise revenue to make important investments for Minnesotans.

In the coming weeks we look forward to working with the tax committees to ensure a fair and equitable tax bill for all Minnesotans.

Sincerely,

A handwritten signature in blue ink that reads "Robert A. Doty". The signature is stylized with a large initial 'R' and a cursive 'D'.

Robert A. Doty  
Commissioner

Cc: Representative Pat Garofalo  
Ranking Minority Member, Ways and Means Committee

Representative Paul Marquart  
Chair, Taxes Committee