

With a nearly \$18 billion surplus, Walz proposes increasing income taxes on capital gains

Would be the highest in the nation at 13.85%



40% INCREASE
\$660 MILLION



Highest rate in the nation!



Minnesota has a record **\$17.6 billion surplus**



Increasing the capital gains tax to 11.35% and 13.85% will penalize hard working business owners, farmers and Minnesotans who have worked and sacrificed to build their businesses and save for retirement. As they sell their business, farm or other assets, they will be hit with the highest tax rate in the nation.

This 40% tax rate hike will undermine entrepreneurship and investment in the state, and provide another strong financial disincentive for high wealth individuals to remain in Minnesota.



Minnesota will be an extreme tax outlier

Unlike the federal government and many other states that provide a lower tax rate for capital gains, Minnesota treats capital gains the same as other income. Minnesota already has the 6th highest tax rate in the country at 9.85% and is one of 12 states that still have an estate tax (Minnesota's tax kicks in at a much lower threshold of \$3 million).

This new tax rate of 13.85% would be highest in the nation:

- 9 states have a lower capital gains rate (AZ, AR, HI, MT, NM, ND, SC, VT, WI).
- 8 states do not have an income tax (AK, FL, NV, SD, TN, TX, WA, WY).
- 6 states provide tax breaks on capital gains for investments in in-state businesses (CO, ID, LA, OK) or farming (SD and WI).
- The federal tax rate is 20% for long-term capital gains.

Higher capital gains tax rates:

- Include inflationary gains, which do not represent a real increase in wealth. Taxes on inflationary gains are taxes on "fictitious" income.
- According to research, they negatively affect the decision to start a business, how and when entrepreneurs exit their business, and the ability to raise funds from outside investors.
- Are associated with less venture capital funding flowing into states.
- Are volatile and contribute to state budget instability.
- Result in double taxation as the business pays the corporate tax on profits and the shareholder pays taxes on dividends and capital gains distributed from after-tax profits.
- Create a bias against saving. When multiple layers of tax apply to the same dollar, it distorts the choice between immediate consumption and saving, skewing it towards immediate consumption because the multiple layers reduce after-tax return to saving.

Minnesota's general fund relies greatly on wealthier households to fund state services. 53.4% of general fund revenues come from individual income tax and the top 10% of households pay 58% of the individual income tax (and have 42% of income). Minnesota already has one of progressive tax systems in the nation, ranking 47th by liberal ITEP group. This tax would hit a very mobile and small segment of Minnesota's population providing even more of a disincentive to remain in Minnesota.

The Legislature must act

- Oppose the increase in capital gains tax rate.
- Support using the \$17.6 billion surplus to lower income tax rates to make Minnesota more competitive and best position our state for economic success.



Sources:

- Capital Gains Taxation and Entrepreneurship, William M. Gentry, Williams College March 2016
- What Drives Venture Capital Fundraising? Paul A. Gompers and Josh Lerner, August 1998
- An Overview of Capital Gains Taxes, Erica York, Tax Foundation, April 2016
- It's not the weather, John Phelan, Center for American Experiment, 2021
- Who pays: A Distributional Analysis of the Tax Systems in all 50 States, ITEP, Oct. 2018

Albert Lea-Freeborn County Chamber of Commerce
 Alexandria Lakes Area Chamber of Commerce
 Anoka Area Chamber of Commerce
 Apple Valley Chamber of Commerce
 Associated Builders and Contractors
 Associated General Contractors of Minnesota
 Austin Area Chamber of Commerce
 BankIn Minnesota
 Bemidji Area Chamber of Commerce
 Brainerd Lakes Area Chamber of Commerce
 Builders Association of Minnesota
 Builders Association of the Twin Cities
 Building Owners & Managers Association (BOMA) St. Paul
 Burnsville Chamber of Commerce
 Cloquet Area Chamber of Commerce
 Cuyuna Lakes Chamber of Commerce
 Dakota County Regional Chamber of Commerce
 Detroit Lakes Regional Chamber of Commerce
 Duluth Area Chamber of Commerce
 Eden Prairie Chamber of Commerce
 Elk River Area Chamber and Commerce
 Faribault Area Chamber of Commerce & Tourism Bureau
 Fargo Moorhead West Fargo Chamber of Commerce
 Fergus Falls Area Chamber of Commerce
 Glenwood Lakes Chamber of Commerce
 Grand Rapids Area Chamber of Commerce
 Greater Minneapolis Building Owners and Managers Association
 Greater Stillwater Chamber of Commerce
 Greater St. Paul Building Owners and Managers
 Hastings Area Chamber of Commerce & Tourism Bureau
 Hermantown Area Chamber of Commerce
 Hibbing Area Chamber of Commerce
 Hospitality Minnesota
 Housing First
 Hutchinson Area Chamber of Commerce
 Insurance Federation of Minnesota
 International Falls Area Chamber of Commerce
 Iron Mining Association of MN
 Lake City Area Chamber of Commerce
 Lake County Chamber of Commerce
 Lakeville Area Chamber of Commerce & CVB
 Laurentian Chamber of Commerce
 Litchfield Chamber of Commerce
 Marshall Area Chamber of Commerce
 Medical Alley Association
 Metalcasters of Minnesota
 MetroNorth Chamber of Commerce
 Midwest Food Processors Association
 Minnesota AgriGrowth Council
 Minnesota Association of Convention & Visitors Bureaus
 Minnesota Association of Public Accountants
 Minnesota Auto Dealers
 Minnesota Bankers Association
 Minnesota Beverage Association
 Minnesota Broadcasters Association
 Minnesota Business Partnership

Minnesota Chamber of Commerce
 Minnesota Chamber of Commerce Executives
 Minnesota Child Care Association
 Minnesota Contractors of the National Electrical Contractors Association
 Minnesota Drywall & Plaster Association
 Minnesota Environmental Contractors Association
 Minnesota Floorcovering Contractors Association
 Minnesota Forest Industries
 Minnesota Grocers Association
 Minnesota High Tech Association
 Minnesota Mechanical Contractors
 Minnesota Milk Producers Association
 Minnesota Nursery & Landscape Association
 Minnesota Painting and Wallcovering Employers Association
 Minnesota Petroleum Marketers Association
 Minnesota Pork Producers Association
 Minnesota REALTORS
 Minnesota Recruiting and Staffing Association
 Minnesota Retailers Association
 Minnesota Service Stations and Convenience Stores
 Minnesota Shopping Center Association
 Minnesota Ski Areas Association
 Minnesota Society of CPAs
 Minnesota Subcontractors Association
 Minnesota Telecom Alliance
 Minnesota Trucking Association
 Minnesota Utilities Contractors Association
 Minnesota Utility Investors
 Minnesota Mechanical Contractors Association
 Minnesota Precision Manufacturing Association
 NAIOP Minnesota
 National Federation of Independent Business
 National Shooting Sports Foundation
 New Ulm Area Chamber of Commerce
 Northfield Area chamber of Commerce
 Owatonna Area Chamber of Commerce & Tourism
 Pipestone Area Chamber of Commerce & CVB
 Redwood Area Chamber and Tourism
 River Heights Chamber of Commerce
 Rochester Area Chamber of Commerce
 Sauk Centre Area Chamber of Commerce
 Shakopee Chamber & Visitors Bureau
 SouthWest Metro Chamber of Commerce
 St. Cloud Area Chamber of Commerce
 St. Paul Area Chamber
 The Chamber Grand Forks & East Grand Forks
 Thermal Insulation Contractors Association
 Tri-State Manufacturers' Association
 Twin Cities North Chamber of Commerce
 Waconia Chamber of Commerce
 Waseca Chamber of Commerce
 White Bear Area Chamber of Commerce
 Willmar Lakes Area Chamber of Commerce
 Winona Area Chamber of Commerce
 Woodbury Area Chamber of Commerce
 Worthington Area Chamber of Commerce



380 St Peter St Suite 1050, St Paul, MN 55102
 800.821.2230 • 651.292.4650
www.unitedforjobsmn.com

Use the QR code for
 a list of United for
 Jobs coalition members.

