



CMB Opposes House & Senate Omnibus Tax Bills

April 23, 2009

Minnesota House and Senate Tax Committees released their omnibus tax bills earlier this week. Both bills propose huge tax increases on employers that would add to the already high cost of doing business in Minnesota. The result would be more job losses in the short-term and reduced business investment and job creation in the long run.

Employers appreciate the difficult position state lawmakers are in. The global recession has forced many employers to make tough choices in the face of falling revenues. But as legislators look for ways to close the budget deficit, the Coalition of Minnesota Businesses urges them to oppose the kinds of tax increases offered in HF 2323 and SF 2074 that would hurt business investment and job creation in Minnesota – and ultimately diminish our long-term prosperity in a competitive global economy.

HOUSE OMNIBUS TAX BILL (HF 2323) [Link to bill.](#)

- \$1.5 billion net tax increase for the 2010-11 biennium

WE SUPPORT some provisions in the House bill, including:

- Movement to a 100 percent sales factor on the corporate income tax in 2009.
- Expansion of Minnesota's research and development tax credit.
- Federal conformity for section 179 expensing, which would allow small companies to immediately expense some equipment purchases rather than depreciate them over several years.

WE OPPOSE several other provisions and the overall bill. Among the proposals we oppose are:

- A new fourth tier personal income tax bracket at 9 percent for married joint filers with incomes starting at \$300,000, giving Minnesota the fourth highest tax rate in the nation.
 - Most small-business owners report business income on their personal income tax return, so a personal income tax increase would hurt small employers – and their employees.
 - The substantial increase would also make it more difficult and more expensive for employers to recruit top talent to work in Minnesota, creating an incentive to locate those positions elsewhere.
- Several changes that would penalize companies attempting to compete in a global economy (repealing the foreign royalty deduction, repealing foreign operating corporations, and a "tax haven" provision).
 - The state should help and encourage companies to expand into new markets and create incentives to reinvest profits from those foreign ventures back in Minnesota.
- The street improvement district "fee," which essentially gives cities authority to impose an additional property tax to fund a laundry list of transportation-related projects.
 - These districts could be drawn arbitrarily, taxes apportioned inequitably – without any requirement to establish a benefit to the property owners being taxed.

- Increasing the corporate income tax on certain businesses located in tax-increment financing districts or that receive tax abatements.
 - Taxing a portion of development subsidies would increase the cost of development in the state.
- The digital products and "Amazon" sales taxes, which would have negative consequences for Minnesota's hard-hit retailers.
 - The digital products tax would not be enforceable to out-of-state retailers that lack a physical presence in Minnesota. But our in-state retailers would collect and remit the tax, creating a competitive disadvantage.
 - The "Amazon" tax would not result in increased revenue, because Amazon.com and Overstock.com have said they would cancel the marketing arrangements that this bill targets.

SENATE OMNIBUS TAX BILL (SF 2074) [Link to bill.](#)

- \$2.2 billion net tax increase for the 2010-11 biennium

WE SUPPORT converting the capital equipment sales tax refund program to an upfront exemption and the small-business tax credit provisions included in the bill.

WE OPPOSE numerous provisions in the Senate bill and, as a result, the overall bill. Among the elements the Coalition opposes are:

- Personal income tax increases across the existing tax brackets and creation of a new fourth bracket, which at 9.25 percent would give Minnesota the fourth highest tax rate in the nation. The proposal would increase tax rates as follows:

5.35% jumps to 6%

7.85% jumps to 8.5%

7.05% jumps to 7.7%

9.25% – joint filers, incomes above \$250,000

- Minnesota already has the sixth highest per capita income tax burden in the nation.
- Substantial increase in the statewide property tax paid exclusively by business.
 - Minnesota employers continue to pay high property taxes. In some areas of the state, the business property tax burden is among the heaviest in the nation.
- Freezing Minnesota's movement to 100 percent sales factor on the corporate income tax.
 - Moving to a sales only factor eliminates the existing disincentive to build infrastructure and create jobs in Minnesota. Other states continue to move to 100 percent sales factor, creating a competitive disadvantage for Minnesota companies.
- Surtax on interest income.
 - Credit markets are tight and the financial sector is under extreme pressure. A tax increase on interest income would only make things worse.
- The "Amazon" sales tax.
 - This would not result in increased revenue, because Amazon.com and Overstock.com have said they would cancel the marketing arrangements that this bill targets

Please contact your legislators TODAY and urge them to OPPOSE the House Omnibus Tax Bill (HF 2323) and the Senate Omnibus Tax Bill (SF 2074)!

[Contact House Members](#)

[Contact Senate Members](#)