

March 22, 2022



To Governor Tim Walz and Members of the Minnesota Legislature:

We believe that the resources available in the 2022 Legislative Session – the projected state budget surplus and flexible federal funds – represent a historic opportunity to make transformational changes to build a future in which all Minnesotans are healthy, safe, and financially secure. We can't go back to a status quo that leaves too many of our neighbors behind and keeps Minnesota's racial disparities – some of the worst in the nation – in place.

The COVID-related recession was likely the most unequal in modern history, and did the most harm to those with the least resources to get through it, including lower-income Minnesotans and Minnesotans of color. At the same time, many of those with the greatest incomes and wealth saw their resources grow.

The path to a stronger, more equitable recovery is through public investments to strengthen everyday Minnesotans, their families, and communities, focusing on those hardest hit by the pandemic and the disparities and disinvestment that preceded it.

But the state won't be able to make these investments if policymakers enact billions of dollars in poorly targeted permanent tax cuts that leave out the most struggling Minnesotans while giving the largest tax cuts to those with the most resources.

We oppose the following expensive, poorly targeted tax cuts:

- *Expanding Minnesota's Social Security exemption to high-income Minnesotans (Senate File 2637).* Minnesota already takes a responsible and targeted approach to taxation of Social Security benefits. About two-thirds of Social Security income going to Minnesota residents is already exempt from state income taxes. Current federal and state tax laws already mean that the lowest-income seniors don't pay any income taxes on their Social Security, and all Minnesotans have some of their Social Security exempt. Expanding this exemption to include higher-income people and all Social Security income would cost more than \$500 million a year. **More than half of the total tax cuts would go to households with incomes above \$134,000** – that's the top 20 percent of the income distribution in Minnesota – according to estimates from the Institute on Taxation and Economic Policy.

- *Cutting the income tax rate from 5.35 percent to 2.8 percent in the first income tax bracket.* Despite this proposal often being described as “for all taxpayers,” **about 1 in 5 Minnesota households would see no benefit** from this proposal, and lower-income Minnesotans are the most likely to be left out. In contrast, the highest-income Minnesotans would receive average tax cuts of more than \$1,000 each year – that’s more than seven times the average tax cut a household with income under \$30,000 would receive, and more than twice the average tax cut that households earning \$30,000 to \$51,000 would receive, if they get any tax cut at all.

While middle-income Minnesotans would receive some benefit from these proposals, more could be achieved by investing in things so that everyday Minnesotans and their families can thrive, such as affordable child care and early learning opportunities, affordable housing, paid family and medical leave, high quality education for every student, clean air and water, infrastructure, and health care.

Sincerely,

Arc Northland
Big Brothers Big Sisters Twin Cities
Center for Economic Inclusion
Children's Defense Fund - Minnesota
Circle of Life Home Care
Education Minnesota
Gifts for Seniors
Growth & Justice
Hmong Home Health Care
HOME Line
ISAIAH
Lutheran Advocacy - Minnesota
Main Street Alliance of Minnesota
Minnesota AFL-CIO
Minnesota Budget Project
Minnesota Coalition for the Homeless
Minnesota First Community Solutions
Money for Two Workshops, LLC
Open Access Connections
Prepare + Prosper
PRISM
Reviving the Islamic Sisterhood for Empowerment
SEIU Healthcare Minnesota
TakeAction Minnesota
The Arc Minnesota
Will Work for Recovery