



June 16, 2021

Chair Marquart and Members of the House Tax Committee:

On behalf of the Minnesota Chamber of Commerce, representing more than 6,000 employers and their more than 500,000 employees across the state, I am writing to urge adoption of the first special session omnibus tax bill, H.F. 9.

We have urged policymakers in the 2021 session to advance policies which will simultaneously support Minnesota's private sector's economic recovery in the short term and best position our private sector for long-term economic success. We are supportive of H.F. 9 as it adopts policies to help speed Minnesota's economic recovery from the pandemic by providing much needed tax relief to hard hit industries, employers and employees. In addition, the bill does not include tax increases that would have greatly undermined Minnesota's competitiveness and harmed investment, entrepreneurship and talent recruitment and retention – all items needed for a strong and growing economy. A “do no harm” approach is critically important so that additional tax burdens and mandates are not placed on employers who are doing their best to keep their doors open and Minnesotans employed.

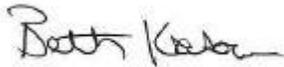
We thank you for your adoption of the following provisions:

- **Full conformity on PPP loans:** This will correct a tax hit of over \$400 million for the over 150,000 businesses that received this federal lifeline in order to retain their employees and keep their doors open during the worst economic decline in over 70 years. We had encouraged earlier passage in order to prevent this tax hit and reduce uncertainty for taxpayers during the 2020 tax year filing season. However, this bill will still be extremely beneficial to provide much needed tax relief and finally have Minnesota join the federal government and the majority of states - including all our neighboring states - that are not imposing this state income tax penalty.
- **Other federal conformity provisions:** We support the other conformity provisions that are adopted in this bill. These provisions were provided federally in order to help industries hard hit by the pandemic slowdown and to help those businesses keep more people employed. These other conformity items include forgivable loans for small business economic injury disaster loans; SBA grants; and expensing rules. We would urge review in the 2022 session of additional conformity items for possible adoption in order to lessen state income tax burdens, complexity and compliance costs.
- **Pass-through election entity option (SALT) provisions:** This provision-results in a win/win – by lowering the federal tax burden for Minnesota business taxpayers without a state revenue loss. A similar provision has been adopted in numerous other states to allow business taxpayers the ability to pay their state income taxes on their business income at the entity level without triggering the \$10,000 federal SALT cap limit. We appreciate the MN Department of Revenue working with us on the bill language.

- **State property tax levy reduction:** This will further the progress that has been made on a bipartisan basis to improve our business tax climate by reducing a high fixed cost of doing business in our state. Minnesota still imposes a higher business property tax burden than many other states. This will also reduce a regressive tax as according to Department of Revenue's Tax Incidence study, the majority of the business property tax falls on Minnesota consumers, employees and business owners.
- **Other items:** We thank you for inclusion of other items to help lessen compliance burdens, reduce tax costs and encourage investment including the Section 179 clarifying fix; the partnership federal audit update; the angel tax credit; and the repeal of the June accelerated sales tax provision.

Thank you for your work to advance policies to help speed Minnesota's economic recovery and best position our state for future success.

Sincerely,



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