



April 6, 2022

RE: HF 3669 as amended (Marquart) Omnibus tax bill

Chair Marquart and Members of the House Tax Committee,

The Minnesota Chamber is a statewide organization representing more than 6,300 businesses of all sizes employing more than half a million employees. We support policies to best position our state for future success by advancing a competitive business climate to encourage a growing economy through increased private sector investment, entrepreneurship, and talent recruitment and retention.

We thank you for the inclusion of the following provisions in the omnibus tax bill:

Federal conformity items: These updates are critically important to prevent a state income tax hit on federal aid provided to the hardest hit industries from the COVID-19 pandemic including those in the restaurants, entertainment and hospitality sectors.

Pass-through entity election modifications: These fixes to the new PTE law will allow more Minnesota taxpayers and business entities such trusts and tiered PTEs to be able to avail themselves of this entity option in order to lower their federal tax burdens.

We also appreciate the inclusion of the small business investment (angel) tax credit to help Minnesota start-ups; expansion of capital equipment sales tax for restaurants to help this hard-hit industry; the sales tax broadband fix; the full repeal of June accelerated sales tax and the COVID-19 pandemic business aid provisions.

As negotiations on the tax bill progress, we encourage inclusion of additional permanent business tax relief to address taxes where Minnesota is the most uncompetitive and serve as barriers to economic growth, particularly given the historic and ongoing budget surpluses the state is experiencing. Many other states are enacting tax reforms and Minnesota's inaction will result in our business tax climate becoming even more of an outlier creating headwinds to investment and workforce growth. In 2021, eleven states reduced their income tax rates and five reduced their corporate income taxes. In 2022, another four states have enacted rate reductions including our neighboring state of Iowa that is reducing its individual income tax rate to 3.9% and corporate rate to 5.9%.

We look forward to working with you to make progress on improving Minnesota's business tax climate and advancing policies to best position our state for a strong and growing economy.

Sincerely,

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