# Extreme Republican tax position holding up budget talks

1.) **Minnesota's tax base has been eroding over time because of tax cuts for corporations and the rich**

   a. 2014 TAX BILLS ERODE TAX BASE
   2014 Tax Bills, impact added together:
   FY 14-15: $546 million
   FY 16-17: $1.075 billion (The FY 16-17 impact included a $111 million phased in estate tax cut.)
   *(Spreadsheet provided by House Fiscal Analysis and Senate Counsel, Research, and Fiscal Analysis)*

   b. 2017 TAX BILL ERODES TAX BASE EVEN FURTHER - The ten year projection for tax base reduction from the 2017 Tax Bill is **$5.1 BILLION** dollars. *(Memo from the Department of Revenue dated October 4, 2017)*

2.) **Minnesota's state and local government is shrinking**

   a. Minnesota's state and local government revenue is shrinking, not growing, as a percentage of personal income (the price of government) and is forecasted to continue to shrink – even as our:
      i. population continues to age and require more services,
      ii. schools need to be competitive in the global marketplace, and
      iii. roads and infrastructure crumble.
   *(Graph of Minnesota Price of Government; Statistics from Minnesota Management and Budget, Price of Government Report, November 2018)*

3.) **Who is paying for Minnesota services? Property Taxes for Homeowners and Renters are going up while the burden on corporate tax payers is going down.**

   a. PROPERTY TAXES HAVE INCREASED - Between 2008 and 2017, Minnesota property taxes have increased by 27% or $2.5 billion.

By 2021, in comparison to the last official numbers which is 2017, property taxes are expected to continue to rise by $1.66 billion *(Minnesota Department of Revenue, Tax Research Division, Property Tax Table Worksheet, February 20, 2018)*. These increased taxes for Minnesota services will fall on homeowners, small business people, farmers, and renters.

b. CORPORATE TAX BURDEN DECREASED - While homeowners and farmers see their taxes rise each year, the burden on corporate taxpayers is going down. Between 2015 and 2017, the corporate tax burden as a percentage of state and local taxes was reduced by 21% percent and that burden is projected to go down further in the coming years *(Minnesota Department of Revenue, Tax Research Division, February 20, 2018)*.

c. HUGE FEDERAL CORPORATE TAX GIVEAWAY - The federal government gave a tax rate cut that is 143% of Minnesota corporate tax rate – and that is before apportionment and allocation cut their Minnesota corporate tax burden even more. *(Graph showing federal corporate tax cut and Minnesota's corporate tax rate)*

4.) **The Senate bill also raises taxes on Minnesotans – it is just a matter of who.**

a. SENATE TAX BILL RAISES TAXES - For FY19-21, the Senate increases taxes by $850 million *(Spreadsheet provided by House Fiscal Analysis and Senate Counsel, Research, and Fiscal Analysis).*

b. HOUSE AND SENATE AGREE ON MUCH OF FEDERAL CONFORMITY - The House and Senate agree on much of their approach on federal tax conformity in terms of revenue raising *(Spreadsheet provided by House Fiscal Analysis and Senate Counsel, Research, and Fiscal Analysis).*

c. MOST MINNESOTANS ARE THE SAME OR WORSE UNDER SENATE TAX BILL - The Senate tax bill either keeps taxes the same or increases taxes on the majority of filers compared to current law. *(Memo from House Research dated April 30, 2019)*.

d. HOUSE TAX BILL CUTS TAXES FOR MORE MINNESOTANS THAN SENATE TAX BILL - The House tax bill cuts taxes for more Minnesotans than the Senate Tax bill. House tax bill cuts taxes for 2 million Minnesotans, whereas the Senate tax bill cuts taxes for 1.4 million Minnesotans. *(Memo from House Research dated April 8, 2019, and Memo from House Research dated April 30, 2019)*.

e. EXAMPLES OF WHO WILL SEE TAX INCREASES FROM SENATE TAX BILL - Senate bill increases taxes on people who have unreimbursed employee expenses (by moving from a 2% adjusted gross income (AGI) floor to a 5% AGI floor for miscellaneous deductions). To illustrate a few examples, Minnesotans with the following expenses may likely see a tax increase:
   i. Home office costs used regularly in the taxpayer's work;
   ii. Licenses and regulatory fees;
   iii. Rural mail carriers' vehicle expenses;
   iv. Tools and supplies used in the taxpayer's work;
   v. Purchase of travel, transportation, meals, entertainment, gifts, and local lodging related to the taxpayer's work;
   vi. Work clothes and uniforms; and
   vii. Work-related education.

5.) Most conformity provisions are common-sense which is why both bodies approved them.

a. GLOBAL INTANGIBLE LOW TAX INCOME (GILTI) PROVISION LEVELS THE PLAYING FIELD FOR MINNESOTA COMPANIES
   i. The House's approach on Global Intangible Low Tax Income (GILTI) treats foreign corporations that generate GILTI just like domestic corporations, leveling the playing field for Minnesota based companies.
   ii. Our approach adds up all of a multinational corporation's subsidiaries income and sales, then figures out what percentage of that income is apportioned to Minnesota, because even under the tax bill, Minnesota is still only taxing based on Minnesota sales.

b. DEEMED REPATRIATION ONLY ASKS THAT A PORTION OF THE INCOME THAT WAS HIDDEN OVERSEES BE TAXED

i. For decades large multinational corporations have stashed profits in tax havens overseas without paying their fair share of corporate taxes here in the United States. Estimates put the amount of untaxed profit as high as $2.8 trillion.

ii. By conforming, Minnesota corporate tax would treat this income as a dividend, which would be subject to the state's 80% dividend received deduction as well as be reduced by the state's apportionment percentage.