

May 13, 2008 – 5 pm

## 2008 Omnibus Tax Bill

The following provisions are unacceptable or problematic and may jeopardize signature of the bill.

### **Elimination of Income Tax Deduction**

Elimination of real and personal property tax deduction equates to a \$180 million income tax increase on Minnesota residents.

### **Spending Increases**

Large spending increases in LGA, county, and township aids when trying to solve a budget deficit is not justified and will only exacerbate the spending tails.

### **Property Tax Increases**

Modifies the state general property tax rate and base, which increases taxes for business properties by \$82 million. It also increases property taxes on utility companies, Minneapolis St Paul International Airport and Holman Field. These provisions make Minnesota less attractive to businesses located here and will detrimentally impact businesses during an economic slow down.

### **Corporate Income Tax Provisions**

Language codifying economic substance, FOC "supplant" language, mail order apportionment, and changes to the tax treatment of corporations operating in designated tax havens make Minnesota less attractive to corporations that do business internationally.

### **Lack of a meaningful property tax cap**

The levy limit in the bill is a loose cap with too short of a duration. The result is a reduction of tax increases by an estimated \$22 million statewide that will only be imposed for one year. This is not a sufficient limit on property tax increases. The Governor had requested a property tax cap of a sufficient amount and duration and the military pay and pension provision to offset the revenues generated by the FOC definitional change.

### **Job Opportunity Building Zones (JOBZ)**

The elimination of JOBZ removes an important and successful economic development tool for rural Minnesota.

### **Add Back for Economic Incentives**

The elimination of the corporate income tax deduction for companies that receive a TIF or abatement subsidy results in a tax increase for those businesses.

### **Tuberculosis testing tax credit**

The bill limits the state wide tax credit to producers only within certain zones. This statewide availability of the credit should remain. It is the only means of assistance offered statewide to help defer a portion of the cost of addressing TB.

### **Federal independent contractor safe harbor – Section 530**

The elimination of the 530 safe harbors is not acceptable as it creates unnecessary confusion for employers and businesses between Minnesota law and federal law.

### **Mining Provisions**

The 5 year suspension of the investment credit under the taconite production tax is a \$65 million tax increase for the mining companies that will go to projects not benefiting the mining companies.

### **Numerous Local Tax Increase Provisions**

The bill includes numerous provisions that provide local governments with authority to raise taxes on Minnesotans. There are numerous provisions to provide additional local authority for increased sales and use taxes and new mortgage and deed taxes. The Metropolitan Council's transit taxing authority is expanded. Counties are provided additional taxing and bonding authority to counties to levy for wind energy projects.

### **Road Construction Project**

This requires MNDot to award a road contract for a specific project rather than rebidding it. This will result in a violation of federal law and the contract will likely be disallowed by the Federal Highway Administration. This will jeopardize the Hwy 53 project as it is 80% federal funds.

### **Duluth school district provision**

This is a local issue that should be resolved at the local level and the legislature should not penalize a district for implementing a capital project as authorized under current law.