



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 4, 2012

The Honorable Kurt Zellers
Speaker of the House
Room 463, State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

Dear Mr. Speaker:

I have vetoed and am returning Chapter 285, House File 2337, the Omnibus Tax Bill.

It has been my consistent position throughout this session that any new spending increases or tax reductions had to maintain the current Budget Reserve and avoid increasing future deficits. I reiterated that position, when I vetoed the bill that would have taken \$425 million from the reserves to accelerate repayment of the school shift.

This bill would not pay for the business property tax levy freeze and other tax breaks. It would reduce the Budget Reserve for the current biennium and add another \$145 million to the deficit projected for the next biennium, which is already projected to be \$1.1 billion. Freezing the state business levy would reduce state revenues by a total of \$2.3 billion between 2013 and 2026.

Other business tax cuts in the bill: the Angel Investment Tax Credit, Research and Development Tax Credit, and the Upfront Capital Equipment Sales Tax Exemption, are also unfunded. While I support some versions of those tax breaks, and I included variations in my earlier recommendations, my proposals were always funded by adding the Affiliate-Nexus provision that would benefit many main street Minnesota businesses and by closing tax preferences for foreign operations.

Furthermore, while the bill would provide \$45.4 million in tax relief (mostly property tax relief) to businesses, it would give only \$4.1 million in tax relief to homeowners and virtually none to renters, seniors, and farmers. This imbalance is unfair, especially since over the past decade business property taxes have increased by an average 40 percent in Minnesota, while all other property taxes have increased by 79 percent.

For homeowners, renters, and farmers, the bill would not begin to undo the damage from last year's elimination of the Homestead Credit and cuts in Local Government Aids. I remain committed to broad-based, comprehensive property tax relief for all property taxpayers, including—but not limited exclusively to—businesses.

I am most willing to consider the initiatives that assist local communities with economic development. Regarding the Mall of America project, I am interested in exploring an alternative, which would not require the host community to bear such a large share of the financial burden. It

The Honorable Kurt Zellers
May 4, 2012
Page 2

would be preferable to find an approach, which recognizes the project's regional and even statewide benefits through statewide, regional, or user-generated financial support.

Two weeks ago, we began discussions about a bi-partisan, fiscally responsible tax bill to encourage economic growth and job creation. That bi-partisan effort was abandoned for this very partisan measure. In the short time left in this session, I remain available to continue our development of a fair, financially sound tax bill, which encourages job creation, but not at the expense of our future.

Sincerely,

Mark Dayton
Governor

cc: Senator David H. Senjem, Senate Majority Leader
Senator Thomas M. Bakk, Senate Minority Leader
Senator Julianne Ortman
Representative Paul Thissen, House Minority Leader
Representative Greg Davids
The Honorable Mark Ritchie, Secretary of State
Mr. Cal R. Ludeman, Secretary of the Senate
Mr. Albin A. Mathiowetz, Chief Clerk of the House of Representatives