

FACT SHEET | Tax Cuts for Over 450,000 Minnesotans

2017 Budget for a Better Minnesota

Governor Mark Dayton and Lt. Governor Tina Smith support a balanced, commonsense approach to tax cuts that prioritizes economic opportunity for Minnesota families, while protecting the state's long-term fiscal health. This year, Governor Dayton and Lt. Governor Smith have proposed cutting taxes for more than 450,000 Minnesota families. They also have proposed tax cuts for farmers and landowners to help build an economy that works for everyone, everywhere in Minnesota. As in past years, the Governor and Lt. Governor will continue to oppose tax bills that provide handouts to corporate special interests and those at the very top.

Cutting Taxes for Minnesota Families

- **Cutting Taxes for Minnesotans** – Governor Dayton and Lt. Governor Smith have proposed tax cuts that would benefit working and middle class Minnesota families, by conforming the state tax code to recent federal changes and expanding the Working Family Tax Credit.
 - **Working Family Tax Credit** – The Working Family Tax Credit makes work pay by supplementing the wages of low-income workers. The Governor and Lt. Governor's proposal would broaden the reach of the Working Family Credit, investing \$93.9 million to make 107,000 new households eligible. Over 260,000 families currently receiving the credit would see an increase. The average family would save an additional \$124 per year.
 - **Federal Tax Conformity** – By aligning Minnesota's tax code to tax relief enacted by President Obama and Congress in 2015 and 2016, the Governor and Lt. Governor's tax cut proposal would provide \$21 million in targeted tax cuts for middle class families and make it simpler to file taxes. Governor Dayton and Lt. Governor Smith's proposal would benefit college students and their families paying for higher education, teachers buying classroom supplies, homeowners who refinance their mortgages, and new homeowners paying mortgage insurance.
- **Making Child Care More Affordable** – Child care costs Minnesota families over \$10,000 per year for each child, on average – some of the highest costs in the country. But under current law, only 33,000 Minnesota families are eligible to receive tax credits for child care. Governor Dayton and Lt. Governor Smith's proposal would expand eligibility for these tax credits to a total of 95,000 Minnesota families, providing \$61 million in tax cuts. Another 75,000 families, who were already eligible, would save an additional \$379 per year.

Cutting Taxes for Farmers and Improving the State's Water Quality

- **Cutting Property Taxes for Minnesota Farmers** – Farm property taxes in Minnesota have increased 114 percent in the last decade. This problem has been compounded by low commodity prices and rising agricultural land values. To help relieve property tax burdens on Minnesota farmers, Governor Dayton and Lt. Governor Smith have proposed a credit worth \$34 million for owners of agricultural property equal to 40 percent of their property taxes attributable to school district debt levies.
- **Farmland Estate Tax Reforms** – The Governor and Lt. Governor have proposed a reform to eliminate the recapture tax paid on inherited farmland subject to the estate tax when the farmland was acquired by the government through eminent domain.
- **Water Quality Buffer Aid Payments** – To help alleviate the cost of compliance with state water quality requirements, Governor Dayton and Lt. Governor Smith have proposed a program to provide eligible landowners \$40 per acre each year for each tillable acre converted to a water quality buffer strip. Payments would be made for five years beginning in taxes payable 2019.

- **Wetland Protection Aid** – The Governor and Lt. Governor have proposed \$10 million in ongoing aid in their tax bill to help counties and watershed districts enforce and implement riparian protection and water quality practices.

Strengthening Minnesota Communities

- **Funding for Essential Services** – Minnesotans rely on their municipal and county governments to provide essential services like police and fire protection. Even after investing additional funding in Local Government Aid (LGA) and County Program Aid (CPA) over the last several years, cities and counties have still not recovered from a decade of previous cuts. LGA and CPA funding is still lower than it was in 2002, causing local governments to raise property taxes to pay for these vital public services. Governor Dayton and Lt. Governor Smith have proposed a \$30 million investment to support these important programs and relieve the burden on Minnesota property owners.
- **Investing in 21st Century Classrooms** – All Minnesota students need a world-class education, no matter where they live. However, in school districts without high-value land, the burden of paying for modern schools can fall disproportionately on just a few businesses, farms, or homeowners. The Governor and Lt. Governor have proposed a \$62 million investment over four years to help school districts repay school bond levies without overly burdening private property owners.
- **Madelia Fire Aid** – In February 2016, nearly a dozen businesses were affected by a fire that devastated Madelia’s Main Street. Governor Dayton and Lt. Governor Smith are proposing \$31,000 for the city of Madelia and \$15,000 to Watonwan County per year for the next 20 years to help make up for the loss in the property tax base due to the Madelia fire. This proposal would also provide a sales tax exemption for construction materials and equipment used to construct or replace property affected by the fire.
- **Expanding Sales Tax Exemption for Charities** – Some federally recognized charities must still pay state sales tax under current Minnesota law for some purchases. Exempting purchases will reduce the burden on charities as they work in their communities. The Governor and Lt. Governor’s proposal would allow 1,700 charities to qualify for this exemption, providing tax relief for those serving the public.

Reforms to Help Businesses Grow

- **Simplifying Paperwork for Growing Businesses** – Governor Dayton and Lt. Governor Smith’s proposal would simplify the paperwork required to file for the Research and Development Tax Credit, making it more accessible to Minnesota businesses. This credit covers Minnesota businesses for a portion of their investments in innovative research, giving a boost to Minnesota’s cutting-edge economy.
- **Extending Filing Deadlines** – The Governor and Lt. Governor’s proposal would extend the Minnesota fiduciary filing due date when a federal extension to file has been granted. Currently, the Minnesota fiduciary return due date is not automatically extended when the fiduciary receives a federal extension even though the fiduciary tax return is based on the income reported for federal purposes.

Tax Cuts for Families and Farmers – By the Numbers

Governor Dayton and Lt. Governor Smith are proposing tax cuts for 450,000 hard-working Minnesota families. These tax cuts would improve incomes for ordinary Minnesotans by keeping more in their pockets. Here is how those savings break down:

372,000	372,000 Minnesota families would now be eligible or see an increase in the Working Family Tax Credit under the plan, with eligible families receiving an additional \$124 each on average
95,000	95,000 Minnesota families would be eligible for child care cost relief under the Governor’s and Lt. Governor’s plan
35,000	35,000 college students and their families paying for higher education tuition would see a total of \$4.3 million in tax breaks under the plan

70,000	70,000 Minnesota teachers will be eligible for a tax deduction for the books, crayons, and other essential classroom materials they purchase, totaling \$4 million in tax savings for Minnesota teachers under the plan
\$17.4 million	Homeowners who refinanced their homes or went through a short sale would see a total tax cut of \$17.4 million under the plan
73,000	73,000 homeowners who pay mortgage insurance premiums for their qualified residence would see tax breaks totaling \$11.6 million under the plan
53,000	53,000 landowners would be eligible for enrollment in the Governor's Buffer Aid Payments
40 percent	The Governor and Lt. Governor have proposed a credit for owners of agricultural property equal to 40 percent of their property taxes attributable to school district debt levies