



STATE OF MINNESOTA
L'Étoile du Nord

Office of Governor Mark Dayton & Lt. Governor Tina Smith

A Better Tax Bill

This session, the Republican-led Legislature initially passed a tax bill that would cut taxes by \$2.5 billion over the next four years for large businesses and the wealthiest Minnesotans. These cuts would have only grown in future years – shrinking needed resources for critical investments in quality childcare and early learning, affordable higher education, and services for the elderly, vulnerable, and those with disabilities. [Governor Dayton vetoed that bill](#). The Governor convinced the Legislature to pass a better Tax Bill that includes tax cuts that benefit hardworking Minnesota taxpayers and that better protects our state's financial health. [Governor Dayton reluctantly signed that bill](#). Nevertheless, he has significant concerns with the overall size and priorities of the Tax Bill, which give huge tax giveaways to big businesses, the super-wealthy, and special interests – including tobacco companies. That is why he has called on legislative leaders to return to work to negotiate a final resolution to the state's budget. The following is a summary of that bill.

Good Things for Minnesota

The final bill included these provisions that will benefit hardworking Minnesota taxpayers, instead of wealthy special interests.

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 high agricultural land values. To help relieve property tax burdens on Minnesota farmers, Governor Dayton and Lt. Governor Smith worked with the Legislature to provide a tax credit worth \$35 million for owners of agricultural property. The credit is equal to 40 percent of their property taxes attributable to school district debt levies.
Making Child Care More Affordable	Child care costs Minnesota families, on average, over \$10,000 per year per child. These costs are among the highest in the country. But only 33,000 Minnesota families were eligible to receive a state tax credit for child care expenses. This year, the Governor and the Legislature expanded the credit to cover 55,900 families, providing more than 42,800 Minnesota families an average additional tax saving

	<p>of \$342 a year, worth a total of \$35.8 million in the first biennium. While this will help many Minnesota families better-afford child care, it falls far short of the Governor's initial proposal, which would have expanded the credit to 95,000 new families.</p>
<p>Cutting Taxes for Working Minnesotans</p>	<p>Governor Dayton and the Legislature invested an additional \$6.7 million in the Working Family Tax Credit in the second biennium. The credit makes work pay for low and middle-income Minnesotans and their families. The bill will make the credit available to 41,000 additional Minnesotans under age 25, who will receive an average credit of \$80. Governor Dayton's original proposal would have expanded the Working Family Tax Credit to an additional 107,000 Minnesota households.</p>
<p>Helping Minnesotans Reduce Their Student Loan Debt</p>	<p>Minnesota college graduates carry some of the highest debt loads in the United States, with graduates of four-year institutions leaving school with a median debt of \$27,300. The fifth highest in the United States. The bill creates a student loan credit that will save an estimated 65,000 Minnesotans with student loan debt an average of \$414 each year.</p>
<p>Saving Retired Minnesotans Money</p>	<p>Minnesota previously exempted Social Security income from taxation for married couples with an income below \$32,000 a year and for single filers with incomes below \$25,000 a year. The Tax Bill signed by Governor Dayton allows taxpayers to subtract a portion of their Social Security income that was previously subject to tax, up to \$4,500 a year for married joint filers and \$3,500 for single filers. The subtraction is phased out with income. The change is expected to benefit 284,000 returns, saving them approximately \$200 each year.</p>
<p>Local Government/County Program Aid</p>	<p>Minnesotans rely on their city and county governments to provide essential services like police and fire protection. This year, Governor Dayton worked with the Legislature to provide cities an additional \$15 million and counties an additional \$25 million to support these important community services and relieve the burden on Minnesota property owners.</p>

<p>Buffer Aid for Local Governments</p>	<p>Vegetative buffer strips help keep phosphorus, nitrogen, and sediment out of water – by absorbing these pollutants before they enter our lakes, rivers, and streams. The Governor and the Legislature have provided \$8 million in aid for 2018 and \$10 million annually thereafter to help landowners and local governments implement buffers.</p>
<p>Sustainable Forest Incentive Tax Credit</p>	<p>The Tax Bill enacted by Governor Dayton and the Legislature provides more than \$5 million per year in tax relief for sustainable forest property owners across Minnesota. They also reformed the program to ensure greater accountability and oversight of the program.</p>
<p>Additional Funding for Child Welfare</p>	<p>The federal Indian Child Welfare Act creates strict procedures to ensure that when an American Indian child is taken by child protective services that he or she is placed in the most appropriate home possible. The Tax Bill signed by Governor Dayton provides Minnesota counties and tribal governments a total of \$5 million per year to help defray the costs of compliance with the act.</p>
<p>Level Playing Field for Minnesota Businesses</p>	<p>Minnesotans work hard and play by the rules, and they expect a level playing field. This session, Governor Dayton and the Legislature enacted a series of reforms to close corporate tax loopholes that provided some businesses with special tax benefits that were not afforded to small businesses and working Minnesotans.</p>
<p>Bad Things the Governor Prevented from Becoming Law <i>Governor Dayton convinced Republicans to remove these bad provisions from the bill.</i></p>	
<p>Stopping Efforts to Create a School Voucher Program</p>	<p>School vouchers create a two-tiered education system, while diverting critical resources from the public schools most Minnesota children attend. This year, Governor Dayton stopped the Republican-led Legislature’s attempts to create a school voucher-like tax credit that would have undermined public education, with little impact on Minnesota’s educational disparities.</p>
<p>Blocking Attempts to Undermine Local Control</p>	<p>Governor Dayton stopped the Republican-led Legislature’s attempts to include provisions in the Tax Bill that would have undermined the ability of local governments to regulate the use of plastic bags, or participate in the private-sector (zip) rail development projects.</p>
<p>Missed Opportunities <i>Unfortunately, the Republican Legislature did not fund the following priorities in the Governor’s budget.</i></p>	

<p>Expansion of Working Family Tax Credit</p>	<p>This year, Governor Dayton proposed a \$93 million expansion of Minnesota’s Working Family Tax Credit, which puts additional money in the pockets of working adults with dependent children. Under the Governor’s plan, more than 260,000 families would have benefited. Unfortunately, the Legislature only funded a small fraction of Governor Dayton’s proposal, limiting its scope and impact.</p>
<p>Investing in Modern Classrooms for Minnesota Students</p>	<p>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. Governor Dayton proposed \$59 million investment over four years to help school districts repay school bond levies without overly burdening private property owners. Unfortunately, the Legislature failed to fund the proposal.</p>
<p>Angel Investor Tax Credit</p>	<p>Minnesota’s Angel Tax Credit provides a 25 percent credit to investors or investment funds that put money into new technology startup companies. The initiative has helped over 345 Minnesota businesses in growing industries like software, biotechnology, and medical devices secure needed startup capital. Between 2010 and 2015, a \$76 million state investment leveraged more than \$318 million in private sector investment. This year, Governor Dayton proposed a \$10 million investment for 2019 to continue the program and create new economic opportunity across Minnesota. Unfortunately, the Republican Legislature did not fund this important priority.</p>

Bad Things the Governor Has Asked the Legislature to Remove
Governor Dayton has called on the Republican-led Legislature to remove these irresponsible, expensive tax cuts in a special legislative session.

<p>Tax Cuts for the Super Wealthy</p>	<p>The Republican-led Legislature included a provision in the Tax Bill that would cut the estate tax for a handful of super-wealthy Minnesotans. This tax cut would cost \$109.3 million over the next four years, giving the wealthiest 1,000 estates per year in Minnesota a tax cut. This tax cut for the super-wealthy would significantly reduce the work we have done in Minnesota to make our tax system more progressive. It would do nothing to help family farms and family-owned businesses, because they are already exempt from the estate tax for up to \$5 million when they pass on their businesses to their heirs. It would only help the super-wealthy to avoid paying their fair share of taxes. The Governor has asked the Republican-led Legislature to meet in special session to rescind this bad policy, which will contribute to future budget deficits.</p>
<p>Tax Cuts for Tobacco Companies</p>	<p>The Republican-led Legislature included a provision in the Tax Bill that would cut taxes on tobacco products by \$300 million over the next ten years. The purpose of the cigarette tax increase in 2013 was to</p>

	<p>make strategic investments in health care, education, and jobs, and to reduce smoking in Minnesota – especially among our youth. Each year, more than 6,300 Minnesotans die from smoking-related illnesses, and smoking causes Minnesotans more than \$3 billion in additional health care costs. Since the tax increase on tobacco products took effect in Minnesota, smoking has declined, most notably among high school students. Eliminating the inflator on these taxes would make cigarettes and moist snuff more affordable for our youth, who are more price sensitive. Especially galling is the tax break for premium cigars at a cost of \$6.9 million over the next two bienniums. Together, these provisions would cost \$13.8 million in this biennium, and grow to \$39.7 million in the FY2020-21 biennium. Their costs will continue to grow after that, costing \$300 million over ten years. The Governor has asked the Republican-led Legislature to meet in special session to rescind this bad policy, which risks the health of our youth and will contribute to future budget deficits.</p>
<p>Tax Cuts for Big Businesses</p>	<p>The Republican-led Legislature included a huge property tax cut for big businesses. These tax cuts, known as “C/I levy changes,” would allow all businesses to reduce their property taxes with the exclusion of the first \$100,000 of value. The Governor supports this targeted tax relief for Main Street small businesses. But freezing the levy amount will, over time, disproportionately benefit owners of buildings like the IDS Tower in Downtown Minneapolis and the Mall of America, and cost over \$1 billion over the next 10 years. These tax cuts for big businesses undermine our state’s long-term economic well-being. The Governor has asked the Republican-led Legislature to meet in special session to revise this bad policy, which serves primarily powerful special interest groups and large businesses while contributing to future budget deficits.</p>