

Governor Walz's budget: employers, employees pay the price

Businesses throughout Minnesota provide meaningful employment and contribute to Minnesota's high quality of life. The Governor would increase taxes on net \$684 million, but this hides permanent tax increases falling on private-sector businesses/higher-income households by \$1.6 billion to fund spending increases of nearly 10%.

Policymakers should focus on policies to spur Minnesota's economic recovery, not slow it down. Many of the proposed taxes are regressive and extremely volatile, and will greatly harm Minnesota's business climate, undermine investment, entrepreneurship and talent recruitment and retention.

Governor Walz's budget includes:

- Total general fund tax and fee increases of **\$1.6 billion** over next 4 years.
- New payroll tax increases taxes by **\$2.2 billion** over 3 years to fund employee leave mandate and adding 326 new state employees.

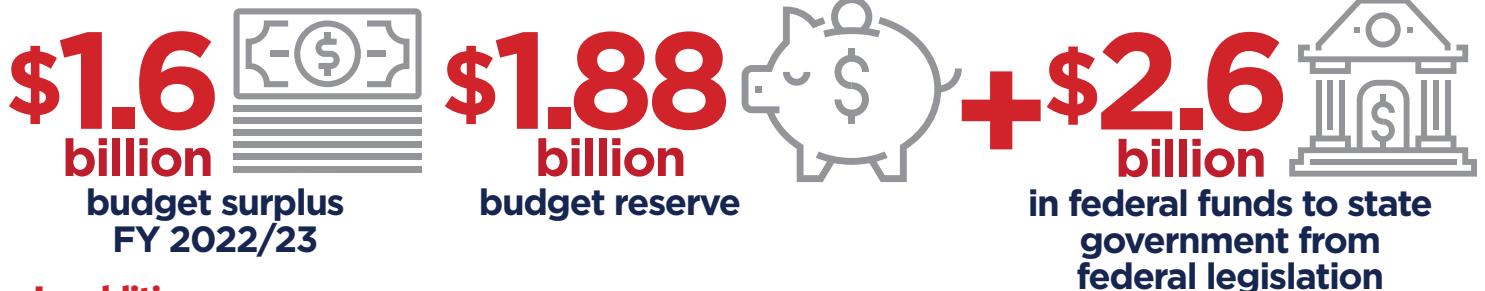


STATE IS FLUSH WITH CASH!

Minnesotans need tax relief, not higher taxes and costs.

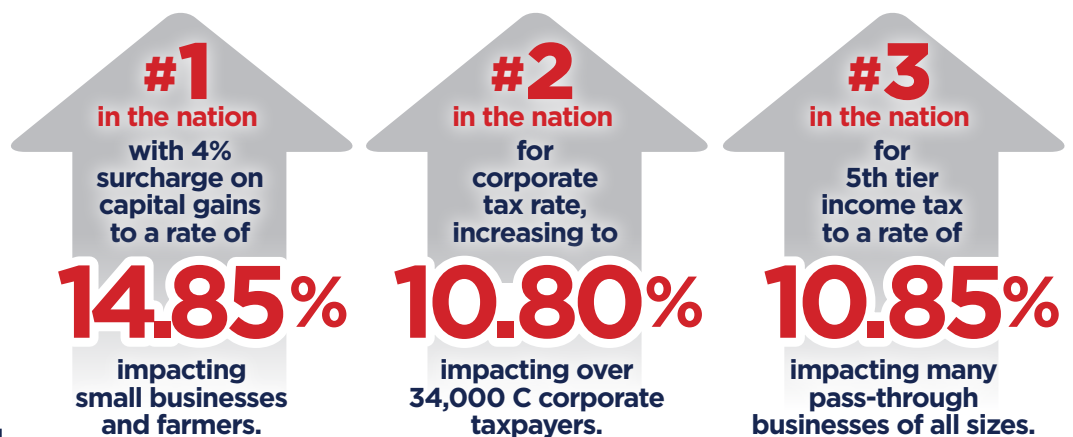
State spending is already increasing by 6% (\$2.87 billion) under current law.

This does not take into account additional federal dollars coming into the state.



In addition, Minnesota state and local government, public institutions and businesses received another **\$42.6 billion** in federal funds for COVID-19 recovery efforts in 2020. The America Rescue Plan includes **\$2.82 billion** to local governments, **\$1.32 billion** to public K-12 and **\$552 million** to higher ed.

If enacted, Minnesota will move even higher in national tax rankings, making the economy less competitive for all businesses:



Albert Lea-Freeborn County Chamber of Commerce	Lakeville Area Chamber of Commerce and CVB
Alexandria Lakes Area Chamber of Commerce	Laurentian Chamber of Commerce
Apple Valley Chamber of Commerce	Litchfield Area Chamber of Commerce
Austin Area Chamber of Commerce	Marshall Area Chamber of Commerce
Bemidji Area Chamber of Commerce	MetroNorth Chamber of Commerce
Brainerd Lakes Chamber of Commerce	New Ulm Area Chamber of Commerce
Burnsville Chamber of Commerce	Northfield Area Chamber of Commerce
Cloquet Area Chamber of Commerce	Owatonna Area Chamber of Commerce and Tourism
Cuyuna Lakes Chamber of Commerce	Pipestone Area Chamber of Commerce
Dakota County Regional Chamber of Commerce	River Heights Chamber of Commerce
Duluth Area Chamber of Commerce	Rochester Area Chamber of Commerce
The Chamber of Grand Forks and East Grand Forks	St. Cloud Area Chamber of Commerce
Eden Prairie Chamber of Commerce	Shakopee Chamber and Visitors Bureau
Elk River Area Chamber of Commerce	SouthWest Metro Chamber of Commerce
Faribault Area Chamber of Commerce and Tourism	Twin Cities North Chamber of Commerce
Fergus Falls Area Chamber of Commerce	Waconia Chamber of Commerce
Grand Rapids Area Chamber of Commerce	Waseca Area Chamber of Commerce
Greater Stillwater Chamber of Commerce	White Bear Area Chamber of Commerce
Hastings Area Chamber of Commerce and Tourism Bureau	Willmar Lakes Area Chamber of Commerce
Hibbing Area Chamber of Commerce	Winona Area Chamber of Commerce
Hutchinson Chamber of Commerce	Woodbury Area Chamber of Commerce
International Falls Area Chamber of Commerce	Worthington Area Chamber of Commerce

To pay for spending increases of **nearly 10%** (\$4.25 billion over FY 2020/21), the governor would:

- Establish a new 5th tier 10.85% income tax rate (current top 4th tier rate is 9.85%) for household incomes above \$1,000,000 (married filing jointly). **\$434 million in FY 2022-23.**
- Impose new surcharge on capital gains with a rate of 12.35% on capital gains and dividend income over \$500,000 up to \$1,000,000 and 14.85% rate on capital gain income over \$1,000,000 for individuals, trusts and estates. **\$543 million in FY 2022-23.**
- Increase current corporate franchise tax rate from 9.8% to 10.8% (over 10% increase). **\$330 million in FY 2022-23.**
- Retroactively tax foreign income putting Minnesota headquartered companies with global operations at competitive disadvantage. **\$333 million in FY 2022-23.**
- Governor Walz has now included partial tax conformity for PPP loans up to \$350,000 and some other federal tax conformity items that will provide tax relief to hard-hit businesses. We encourage full conformity instead to help all businesses that took this lifeline. The governor's proposal leaves out those with higher loans that were needed to retain more employees.

F E D E R A T I O N

MINNESOTA CHAMBER OF COMMERCE

400 Robert Street North, Suite 1500, St. Paul, MN 55101
651.292.4650 • mnchamber.com/federation