



May 3, 2022

The Honorable Bill Weber
Minnesota State Senate
Minnesota Senate Building, Room 2109
St. Paul, MN 55155

Dear Chair Weber and Members of the Senate Subcommittee on Property Taxes:

Thank you for the opportunity to offer written testimony regarding the delete everything amendment to SF 3706, the Property Tax Subcommittee Report.

The Minnesota Business Partnership (MBP) is a membership organization consisting of business leaders from Minnesota's largest employers. MBP member companies span many industries, including manufacturing, health care, retail, and professional services, and they employ half a million Minnesotans.

We appreciate the provision in the Subcommittee Report to reduce and phase out the state general levy, which will provide welcome relief from Minnesota's high business property taxes that currently put Minnesota companies at a competitive disadvantage.

Businesses bear a higher property tax burden than other properties because they pay higher local tax rates than other property types and they also pay the state general levy. The general levy impacts employers of all sizes, including those that do not own property but pay the tax through their lease.

Business property pays nearly three times the effective tax rate as residential property. Recent studies show that Minnesota business property taxes are the 10th highest for metro properties valued at \$1M and 7th highest for metro properties valued at \$25M.

The state general levy makes Minnesota an outlier and puts Minnesota businesses at a competitive disadvantage vs. businesses located in other states that don't impose this tax. Minnesota is the only state that imposes a state property tax exclusively on business property.

While we appreciate the provision to reduce the state general levy, we have some concerns that the cumulative effect of some of the other provisions will shift additional local property tax burden to business property, diluting the positive impact of the general levy reduction. We look forward to additional analysis and discussion of these provisions as the proposal continues through the process.

As businesses adapt to the impacts of the COVID-19 pandemic, including the trend toward remote work and its effects on commercial space needs, it's imperative that Minnesota increase its efforts to be a state where businesses want to locate. The state general levy reduction provision will make it less expensive to locate or expand here and will help fuel economic recovery and long-term economic growth. Thank you for including it in the Subcommittee Report.

Sincerely,
Jill Larson
Deputy Executive Director
Minnesota Business Partnership