

May 9, 2022



To Governor Tim Walz and Members of the Minnesota Legislature:

We believe that the resources available in the 2022 Legislative Session – the projected state budget surplus and flexible federal funds – represent a historic opportunity to make transformational changes to build a future in which all Minnesotans are healthy, safe, and financially secure. We can't go back to a status quo that leaves too many of our neighbors behind and keeps Minnesota's racial disparities – some of the worst in the nation – in place.

The COVID-related recession was likely the most unequal in modern history, and did the most harm to those with the least resources to get through it, including lower-income Minnesotans and Minnesotans of color. At the same time, many of those with the greatest incomes and wealth saw their resources grow.

The path to a stronger, more equitable recovery is through public investments to strengthen everyday Minnesotans, their families, and communities, focusing on those hardest hit by the pandemic and the disparities and disinvestment that preceded it.

But the state won't be able to make these investments if policymakers enact billions of dollars in poorly targeted permanent tax cuts that leave out the most struggling Minnesotans while giving the largest tax cuts to those with the most resources.

We oppose the following expensive, poorly targeted tax cuts:

- *Expanding Minnesota's Social Security exemption to high-income Minnesotans (Senate File 2637).* Minnesota already takes a responsible and targeted approach to taxation of Social Security benefits. About two-thirds of Social Security income going to Minnesota residents is already exempt from state income taxes. Current federal and state tax laws already mean that the lowest-income seniors don't pay any income taxes on their Social Security, and all Minnesotans have some of their Social Security exempt. Expanding this exemption to include higher-income people and all Social Security income would cost more than \$500 million a year. **More than half of the total tax cuts would go to households with incomes above \$134,000** – that's the top 20 percent of the income distribution in Minnesota – according to estimates from the Institute on Taxation and Economic Policy.
- *Cutting the income tax rate from 5.35 percent to 2.8 percent in the first income tax bracket.* Despite this proposal often being described as "for all taxpayers," **about 1 in 5 Minnesota households would see no benefit** from this proposal, and lower-income Minnesotans are the most likely to be left out. In contrast, the highest-income Minnesotans would receive average tax cuts of more than \$1,000 each year – that's more than seven times the average tax cut a household with income under \$30,000 would receive, and more than twice the average tax cut that households earning \$30,000 to \$51,000 would receive, if they get any tax cut at all.

Together We Rise Minnesota is a public policy campaign coordinated by the Minnesota Budget Project and Minnesota Council of Nonprofits. 2314 University Ave. W., Ste. 20 St. Paul, MN 55114 | 651-642-1904

While middle-income Minnesotans would receive some benefit from these proposals, more could be achieved by investing in things so that everyday Minnesotans and their families can thrive, such as affordable child care and early learning opportunities, affordable housing, paid family and medical leave, high quality education for every student, clean air and water, infrastructure, and health care.

Sincerely,

A Place For Hope: Wellness and Recovery Center & Food Shelf

Alexandra House, Inc.

Arc Northland

Big Brothers Big Sisters Twin Cities

Center for Economic Inclusion

Children's Defense Fund - Minnesota

Circle of Life Home Care

Coco Canary Consulting, LLC

Education Minnesota

Esperanza United

Gifts for Seniors

Growth & Justice

Guild

Hmong Home Health Care

HOME Line

Hunger Solutions Minnesota

ISAIAH

Legal Services Advocacy Project

Lutheran Advocacy - Minnesota

Main Street Alliance of Minnesota

Minneapolis Highrise Representative Council

Minnesota AFL-CIO

Minnesota Alliance on Crime

Minnesota Budget Project

Minnesota Coalition for the Homeless

Minnesota Environmental Partnership

Minnesota First Community Solutions

Minnesota Housing Partnership

Money for Two Workshops, LLC

Mount Olivet Rolling Acres, Inc.

National Association of Social Workers, MN Chapter

Open Access Connections

Prepare + Prosper

PRISM

Reach for Resources, Inc.

Resilient Cities & Communities

Reviving the Islamic Sisterhood for Empowerment

SEIU Healthcare Minnesota

Standpoint

TakeAction Minnesota

The Arc Minnesota

The Dotted Line Collaborative
Tubman
Voices for Racial Justice
Will Work for Recovery
WoMN ACT
YWCA Minneapolis