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February 15, 2023

Senate File 973 (Weber)

Dear Chair Rest and Senate Taxes Committee Members,

The National Federation of Independent Business (NFIB) represents over 10,000 members in every industry and every corner of Minnesota.

NFIB Minnesota appreciates the committee's work to provide property tax relief in a time of rapidly rising property values. We are supportive of increasing the agricultural homestead property first tier valuation limit and decreasing the state general levy.

In light of the state budget surplus, we encourage the committee to further reduce or eliminate the state general levy – a tax that is uniquely burdensome for Minnesota's commercial and industrial properties compared to other states with statewide business property taxes.

However, we are concerned about the net effect of the changes in Senate File 973. Even with a \$33 million reduction to the state general levy, the result would likely increase the property tax burden for commercial and industrial properties. A June 2022 Senate Fiscal analysis of a similar set of changes from the unpassed 2022 Tax Conference Committee Agreement showed smaller businesses would bear the brunt of the effective tax rate increase:

Metro 1st Tier C/I: +1.37%
Metro 2nd Tier C/I: 0%
Greater MN 1st Tier C/I: +1.67%
Greater MN 2nd Tier C/I: +0.82%

Smaller, lower value C/I properties (1st Tier) would have seen the largest increase because they received less benefit from the agreement's nominal reduction to the state general levy.

We look forward to working with Senator Weber and the committee to find ways to address rising property valuations – a problem that is also impacting C/I property across the state – without shifting property tax burden onto smaller businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'John L. Reynolds', is written above the typed name.

John L. Reynolds
Minnesota State Director
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