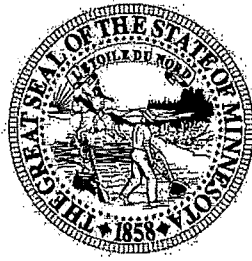


Rep. Aisha Gomez
Minnesota District 62A
453 State Office Building
St. Paul, Minnesota 55155



Sen. Ann H. Rest
President Pro Tem
328 State Capitol
St. Paul, Minnesota 55155

STATE OF MINNESOTA

July 7, 2023

Paul Marquart, Commissioner
Minnesota Department of Revenue
600 Robert Street North
Saint Paul, MN 55146

Jim Schowalter, Commissioner
Minnesota Management and Budget
400 Centennial Building
658 Cedar Street
Saint Paul, MN 55155

Dear Commissioners Marquart and Schowalter,

It has come to our attention that there was an error in information provided regarding the inflationary adjustment changes to the standard deduction in the recently enacted Tax Bill (Laws 2023, chapter 64, article 1, sections 19 and 20). This error does not reflect the intent of the conference committee or the revenue effect on the spreadsheet that was adopted by the conference committee.

Chapter 64 added a two-tier phase-out of the standard deduction (article 1, secs. 19 and 20). Beginning with tax year 2023, the standard deduction is reduced by 3% of adjusted gross income over a threshold and by 10% of adjusted gross income over a second threshold. Regardless of the amount calculated above, taxpayers with amounts over \$1 million must reduce their standard deduction by 80%. Section 20 updated the statutory year for the inflation adjustment for the standard deduction phase-out.

Unfortunately, the amounts in section 290.0123, subdivisions 1-3 were also impacted by changes in section 20 and the amounts listed in existing statute were not rebased to reflect the new statutory year. This error has the effect of lowering the standard deduction and substantively changing the income tax withholding tables. According to information provided by Department of Revenue Tax Research, this change would result in revenue increases starting in tax year 2024. This resulting revenue increase does not reflect the conference committee report spreadsheet or the intent of the agreement between the conference committee and the Governor.

We will pursue legislation at the earliest possible opportunity to correct this provision. As you decide how the Departments will implement these sections of Chapter 64, including the effects of that act on income tax withholding, we respectfully request that you take into account the legislative intent of the conference committee and our expectation that we will correct this section of law to match the said intent of the committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Aisha Gomez".

Representative Aisha Gomez
Chair
House of Representatives Taxes Committee

A handwritten signature in black ink, appearing to read "Ann H. Rest".

Senator Ann H. Rest
Chair
Senate Taxes Committee

CC: Rep. Esther Agbaje
Rep. Greg Davids
Rep. Rep. K. Liz Lee
Rep. Dave Lislegard

Sen. D. Scott Dibble
Sen. Grant Hauschild
Sen. Matt Klein
Sen. Bill Weber