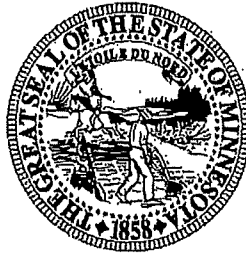


Rep. Aisha Gomez
Minnesota District 62A
453 State Office Building
St. Paul, Minnesota 55155



Senator Ann H. Rest
President Pro Tem
75 Rev. Dr. Martin Luther King Jr. Blvd.
Suite 328
St. Paul, Minnesota 55155

STATE OF MINNESOTA

June 27, 2023

Paul Marquart, Commissioner
Minnesota Department of Revenue

Jim Schowalter, Commissioner
Minnesota Management and Budget

Dear Commissioners Marquart and Schowalter,

It has come to our attention that the effective date for the reduction in the limitation on the deduction for net operating losses (NOLs) in the Omnibus Tax Bill (H.F. 1938; Laws 2023, chapter 64, article 1, section 44) does not reflect the intent of the conference committee or the revenue effect on the agreed-upon spreadsheet for the bill.

Article 1, section 44 of the Omnibus Tax bill amends Minnesota Statutes, section 290.095, subdivision 2, to reduce the limitation on the deduction for NOLs from 80 percent to 70 percent of taxable net income in a single taxable year. The agreement between the conference committee and the Governor was for this provision to be effective for taxable years beginning after December 31, 2023, *i.e.*, tax year 2024, as indicated on line 57 of the conference committee report spreadsheet. With this effective date, the modification to the NOL deduction limitation was estimated to increase general fund revenue by \$5.2 million in FY 2024 and \$17.4 million in FY 2025.

This provision in the conference committee report was mistakenly drafted as effective for taxable years beginning after December 31, 2022, *i.e.*, tax year 2023. According to information provided by Department of Revenue Tax Research, this effective date results in a revenue increase of \$16.9 million in FY 2024. The tax year 2023 effective date and the 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 the effective date for this provision. As you decide how the department will implement this section of Chapter 64, 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 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 Tax 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