

April 24, 2025

Chair Rest and members of the Senate Taxes Committee:

On behalf of BankIn Minnesota's 170 community bank members, I write in strong support of SF 3364 (Putnam), which would exempt income derived from borrowers of commercial and agricultural loans (of \$5 million or less) from state income tax. We believe this legislation could incentivize additional investments in our small business and agriculture sectors throughout Minnesota.

While community banks in Minnesota are as unique as each of the communities they serve, they all share one common goal: to use their role as independent community banks to make a positive impact in their neighborhoods, towns and cities. This role is increasingly difficult as our members struggle to cover tighter loan margins and compete with the growing population of tax-exempt institutions. This legislation's movement toward tax parity would allow community banks to turn this tax exemption into more competitive loan terms for their main street customers.

In 2023, Wisconsin Governor Tony Evers signed a similar exemption into law as part of the 2023 Wisconsin Act 19 (their biennial budget). We have received feedback from both our neighboring bankers and BankIn members with branches in Wisconsin that they have successfully utilized this exemption to retain growing small businesses and family farms, as it allows the banks to price their loans at rates that are competitive with tax-exempt entities like Farm Credit and credit unions.

As I get feedback related to business challenges facing the members we serve, I often hear about general economic trends and constraints on the labor market. However, I always hear about community banks' struggles to compete with the rates offered by tax-exempt financial institutions. This proposal would change that reality and allow community banks to compete on a more level playing field in the communities they serve.

We appreciate your willingness to hear SF 3364 (Putnam) and for the full committee's consideration of this proposal.

Sincerely,



James G. Amundson  
President & CEO