

April 22, 2025



Chair Rest and Members of the Senate Tax Committee,

The Minnesota Bankers Association is writing in support of SF 3364 - Subtraction from income provision for certain commercial loans issued by financial institutions. The MBA is a trade association, founded in 1889, representing approximately 95% of the banks in Minnesota, from the largest to the very smallest.

This bill will exempt from state taxation the interest paid on business and agricultural loans of \$5 million or less, resulting in lower-cost business and ag loans for Minnesota businesses and farmers. The State of Wisconsin passed matching legislation, which became effective in tax year 2023. Wisconsin Governor Tony Evers touted the legislation's power to spur economic growth by encouraging greater investment in business and agriculture.

This bill would help businesses and farmers across Minnesota. Interest rates have risen and remain above the 20-year average, making it more challenging for farmers to purchase land and businesses to grow. Because government-sponsored enterprises — which are the largest lenders to agricultural land with 48% of the market — already enjoy the tax savings provided by this bill, banks will need to pass those savings on to customers in the form of lower rates to compete effectively in the marketplace. A similar law in Kansas is already delivering rates that are 50 basis points lower than those prior to passage, so it works.

Thank you for your consideration.

Sincerely,  
Teresa Rice  
MBA General Counsel

