



May 7, 2025

Dear Members of the Senate Taxes Committee:

The Minnesota Chamber of Commerce represents over 6,300 businesses of all sizes and industries and over 500,000 employees in Minnesota. We advocate for public policies to strengthen Minnesota's business climate and to help grow Minnesota's economy.

We appreciate the opportunity to share our concerns with the A4 amendment to SF 2374 which represents the Chair's recommendations for the Senate Tax Bill. While we support certain provisions, we are deeply concerned that several others will significantly harm Minnesota's economic competitiveness.

Minnesota already ranks among the highest-taxed states for both individuals and businesses. Instead of closing the gap with our peer and neighboring states, this legislation would widen it. Specifically, we oppose the following provisions:

- **Article 1, Section 15 – Net Investment Income Tax Increase:** In 2023, the Legislature enacted a new 1.0% net investment income tax on top of the state's top rate of 9.85%. Increasing the rate by another 0.5% raises an additional \$145.5 million in individual income taxes over the next four years which will make Minnesota a less competitive state high-income earners and investors.
- **Article 1, Section 28 – Net Operating Loss (NOL) Deduction Decrease:** In 2023, the Legislature decoupled from the federal government on NOL, reducing the maximum deduction from 80% of taxable income to 70%. Reducing the maximum deduction to 60% raises an additional \$92.6 million over the next four years. This change will disadvantage Minnesota business that are start ups or compete in volatile industries while creating more financial exposure for all businesses in a broader economic turndown.
- **Article 1, Section 29 – Section 530 Non-Conformity:** We have concerns that removing the safe harbor for businesses that have met the required criteria around reporting, consistency, and reasonableness will punish those who have acted reasonably and in good faith regarding their classification of workers with the assesement of retroactive employment taxes.

- Article 3, Section 4 – Social Media Excise Tax: Imposing this first-in-the-nation social media excise tax will raise taxes by \$334.3 million over the next four years. In all likelihood, the cost of this tax will ultimately be born by the customers of the impacted companies. A significant number of Minnesota businesses of all sizes use social media platforms to advertise their products and services and they too will be negatively harmed by this proposal.

We also take this opportunity to recognize that there are several provisions of the bill which we support including:

- Article 3, Section 6 – Data Center Tax Exemption Sunset Extension: Extending the sunset will enable Minnesota to realize billions of dollars in data center investments which will create jobs, strengthen our tax base, and provide additional downstream benefits to our business community.
- Article 8 – Enhancements for Sustainable Aviation Fuel (SAF): Enhancing the state's tax benefits for SAF will help Minnesota play a leading role in this important and rapidly growing industry.
- Article 10 – Revenue Rulings: The proposed changes establishing revenue rulings will help provide taxpayers with additional clarity and certainty. Allowing the submission of revenue ruling requests will create an additional avenue for Minnesota individuals and companies to ensure they are in full compliance with Minnesota's complex tax code.

Unfortunately, the proposed tax increases in the bill overshadow the positive provisions.

The Chamber has shared concerns over Minnesota's tax climate for many years. As of January 1st, Minnesota has the second highest corporate tax rate and the sixth highest individual income tax in the country. *Meanwhile, since 2021, over 25 other states have cut corporate or individual taxes.*

The combined impact of the net investment income tax hike, NOL deduction reduction, and social media excise tax would raise approximately \$572 million over four years. Adding this burden on top of our uncompetitive topline rates will only limit Minnesota's ability to grow its private sector economy.

We urge you to reconsider these provisions and instead prioritize policies that strengthen the long-term economic viability of Minnesota.

Sincerely,

Brian Cook
Director of Tax, Fiscal Policy, and Elections