



3 0307 00032 1839

*Interim*

# Tax Study Commission

---

OF 1963-64

## Report

---

to the 64th session

of the

Minnesota State Legislature

SUBMITTED JANUARY

13

Tax  
Reports

P/Tb.6

T

HJ  
2415  
.M574  
1965





## Interim Tax Study Commission of 1963-64

### Members of the Senate

Donald O. Wright, *Chairman*  
370 Pillsbury Building  
Minneapolis, Minnesota 55402

Walter J. Franz, *Secretary*  
1102 Box Elder  
Mountain Lake, Minnesota 56159

Ernest J. Anderson  
Frost, Minnesota 56033

Norman W. Hanson  
Route 1, Box 2  
Cromwell, Minnesota 55726

Stanley W. Holmquist  
Grove City, Minnesota 56243

John H. McKee  
1002 Bemidji Avenue  
Bemidji, Minnesota 56601

Raphael F. Salmore  
718 West Pine  
Stillwater, Minnesota 55082

### Members of the House

Robert W. Johnson, *Vice Chairman*  
1950 Bayard Avenue  
St. Paul, Minnesota 55116

Salisbury Adams  
Route 2, Myrtlewood Road  
Wayzata, Minnesota 55391

Roy E. Dunn  
Pelican Rapids, Minnesota 56572

George A. French  
1018 Foshay Tower  
Minneapolis, Minnesota 55401

Joe Gimpl  
Hinckley, Minnesota 55037

Martin J. McGowan, Jr.  
349 East Snelling Avenue  
Appleton, Minnesota 56208

Charles H. Miller  
Kellogg, Minnesota 55945

Martha May Wylie, *Secretary*



# Table of Contents

	<i>Page</i>
Letter of Transmittal .....	1
Introduction .....	3
State and Local Tax Resources .....	7
Spending Levels and Tax Loads .....	7
Property Taxation .....	9
Valuation Information on Tax Statement .....	11
Appeal Procedure .....	11
Assessment Responsibility .....	12
Lakeshore Property .....	12
Impact of Personal Property Tax .....	13
Employment .....	15
Personal Income .....	15
Need for Replacement Revenues .....	16
Viewpoint of the People .....	17
Public Hearings Held by the Commission .....	18
Aphabetical Index of Witnesses .....	19
Findings .....	25
Conclusions .....	25
Recommendations .....	27

Members of the Senate

ERNEST J. ANDERSON  
Frost, Minnesota 56033  
WALTER J. FRANZ  
1102 Box Elder  
Mountain Lake, Minnesota 56159  
NORMAN W. HANSON  
Route 1, Box 2  
Cromwell, Minnesota 55726  
STANLEY W. HOLMQUIST  
Grave City, Minnesota 56243  
JOHN H. McKEE  
1002 Bemidji Avenue  
Bemidji, Minnesota 56601  
RAPHAEL F. SALMORE  
718 West Pine  
Stillwater, Minnesota 55082  
DONALD O. WRIGHT  
370 Pillsbury Building  
Minneapolis, Minnesota 55402

State of Minnesota

Interim Tax Study Commission of 1963-64

204 State Capitol — St. Paul, Minnesota 55101  
Telephone 221-2248

DONALD O. WRIGHT, Chairman  
ROBERT W. JOHNSON, Vice-Chairman  
WALTER J. FRANZ, Secretary

January 4, 1965

Members of the House

SALISBURY ADAMS  
Route 2, Myrtlewood Road  
Wayzata, Minnesota 55391  
ROY E. DUNN  
Pelican Rapids, Minnesota 56572  
GEORGE A. FRENCH  
1018 Fashay Tower  
Minneapolis, Minnesota 55401  
JOE GIMPL  
Hinckley, Minnesota 55037  
ROBERT W. JOHNSON  
1950 Boyard Avenue  
St. Paul, Minnesota 55116  
MARTIN J. McGOWAN, JR.  
349 East Snelling Avenue  
Appleton, Minnesota 56208  
CHARLES H. MILLER  
Kellogg, Minnesota 55945

To the President of the Senate


To the Speaker of the House

Honorable Sirs:

In accordance with Session Laws of 1963,  
Chapter 879, the report of the Interim Tax Study  
Commission of 1963-64 is submitted herewith.

Respectfully submitted,

INTERIM TAX STUDY COMMISSION OF 1963-64

By   
Donald O. Wright  
Chairman

DOW:mw



## Introduction

The report of the Interim Tax Study Commission of 1963-64 is submitted herewith. This Commission was created by the 1963 State Legislature to evaluate present and future tax resources, to review the equity of current tax obligations on various groups and classes of taxpayers, to consider the need for tax revision and tax reform so as to develop a sound and consistent program of balanced taxation that will provide for equitable treatment of all taxpayers and for economic growth conducive to greater employment opportunity within the state.

The Commission did not attempt to duplicate the exhaustive studies made by the Governor's Tax Study Committees of 1956 and 1962. The comprehensive reports of these committees encompassed every technical aspect of state and local taxation. With this abundance of accomplished research and statistical information already at hand repetitive inquiry was unnecessary, except for up-dating of pertinent figures, and the Commission was thus enabled to concentrate its attention on the human and practical aspects of Minnesota's tax problems.

These are the basic questions to which the Commission sought answers:

**Are present taxes fair and equitable?**

**Do they over-burden any segment of economy?**

**Is their effect on employment conditions and economic growth favorable or unfavorable?**

**Is today's tax structure adequate to meet tomorrow's needs?**

The Commission's first decision was that it should try to determine whether taxpayer experience and thinking supported the technical and statistical information developed by the 1956 and 1962 studies of citizen committees appointed by Governors Orville Freeman and Elmer L. Andersen.

Plans were made for a series of eight public hearings so distributed throughout the state as to afford every citizen opportunity to be heard. In the interest of obtaining frank reports of actual experiences under present tax laws and free expressions of opinion as to needs the Com-

mission decided to seek voluntary rather than subpoenaed witnesses and to permit unlimited freedom of subject matter within the overall framework of state and local taxation.

The Commission made every reasonable effort to direct public attention to these hearings. Each hearing encompassed from six to seventeen of the state's 87 counties. Letters of notice were sent to the State Senators and Representatives in each hearing area, to County Auditors, County Assessors and Supervisors of Assessment, County Treasurers, County Commissioners and to the Mayors of all incorporated cities and villages. Announcements of the time and place of each hearing, inviting public attendance and participation, were issued well in advance to all daily and weekly newspapers, radio and television stations, and to the Associated Press and United Press International. The Commission inserted paid advertisements, giving notice of each hearing, in the daily newspapers in each area one week in advance of the hearing date.

Aggregate attendance at the eight hearings exceeded 2,000 and more than 400 witnesses were heard.

Witnesses heard by the Commission were representative of almost every facet of the state's economy: farmers, merchants, newspaper editors, salaried men and women, manufacturers, housewives, hotel and resort operators, wage earners, professional men, public officials and many others.

Witnesses were not confined as to subject matter, guided in presentation, or limited as to time. Much of their testimony was based on individual experience as taxpayers, little of it was abstract or theoretical.

Proceedings at each of the hearings were recorded electronically.

Review of the records of the hearings shows these to be the principal matters with which witnesses were concerned:

The personal property tax, from several standpoints: unfairness, inequities, restriction of employment, and discouragement of industrial and commercial expansion.

The real estate tax, because of its heavy and increasing burden on homes, farms and business properties.

A retail sales tax, to provide replacement revenues for the personal property tax and for lightening the real estate tax load.

The income tax, as a source of replacement revenue and additional money for financing state government activities.

A net earnings tax, as a source of replacement revenue.

The need for prudent spending at all levels of government, to hold down tax costs.

Testimony on other phases of tax and economic problems was relatively light, and the subject matter varied widely.

REA Express Company (formerly Railway Express Agency), filed a protest with the Commission, through its attorney, directing attention

to the fact that its gross earnings tax at 9% is higher than gross earnings taxes on other similar businesses. These taxes are levied by Chapter 295, Minnesota Statutes, as follows:

REA Express .....	9%
Freight line companies.....	7%
Sleeping car companies.....	6%

To transcribe and reproduce in this report the full text of all testimony would, in the judgment of the Commission, have been wasteful of public funds. An alphabetical index to witnesses who appeared at the public hearings is included in this report. The recording discs containing the full testimony are on file in the Commission office.

The hearings afforded Commission members a close-up look at the Minnesota tax picture through the eyes of the tax-paying public. The Commission is indebted to all who appeared before it.





## State and Local Tax Resources

In earlier days, when the nation's economy was predominantly agricultural, property ownership was the principal determinant of ability to pay and the sole source of tax revenue for state and local government purposes. With the benefits of government services received roughly in proportion to property owned, equity in taxation was inherent. Public service requirements were modest and taxes were low.

This original measure of ability to pay and equity in taxation has been destroyed by the complexity of today's economy. Vastly increased burdens of service needs have been imposed on state and local government, and new tax resources opened up, by the continuing conversion to an industrial economy. Property ownership no longer is the sole measure of ability to pay taxes or of benefit received from government.

Today, tax revenue sources available to state and local government fall into three categories: the capacity to earn (business income, individual income, gross earnings, net earnings taxes), the capacity to own (taxes on property), and the capacity to spend (excise and sales taxes).

Increasingly, state and local governments seek to balance their overall tax structures and arrive at equity in taxation by blending all three of these basic revenue sources.

Property taxation is common to all 50 states. Thirty-four states tax income. Taxation of spending is common to all states in the form of excise taxes on such items as gasoline, liquor and cigars, and effective in 37 states in the form of retail sales and use taxes. Nearly half (23) of the states now combine property, income and sales and use taxes.

Minnesota leans heavily on two of the three basic revenue sources: taxation of property (mostly for local government) and taxation of income (principally for state aid to local schools and other educational purposes). Taxation of spending is confined to excise taxes on such items as gasoline, alcoholic beverages, cigars and oleomargarine.

## Spending Levels and Tax Loads

Minnesota is generous with tax revenues for public services. State and local taxes amounted to \$268.57 per capita in 1963 — seventh highest per capita tax burden among all 50 states and 14% above the national average. The state and local governments should use every effort to prevent further tax increases by giving careful consideration to their spending programs.

The services of local government are substantially dependent on property taxation. Real and personal property taxes produce more than

97% of all locally-produced tax revenues of counties, cities and villages, townships and school districts. The costs of local government have risen sharply in recent years.

Property taxes levied by local government, payable in 1964, totaled \$520 million. Nearly half of this — \$255 million — was for school purposes, up 164% from the \$97 million of 10 years ago. Levies for welfare purposes increased 129% in this same period, from \$27 million to \$62 million. Other local services required \$203 million, up 69% from 1954.

A \$30 million levy by the State, principally to meet state building fund debt charges and to finance the state teachers retirement fund, raised the total charge against property in 1964 to \$550 million.

Growth in taxable property values against which levies are spread did not keep pace with the increase in levies in the last 10 years. The total valuation for 1964 was up 29% from the 1954 level, while state and local levies combined were up 111%. In this period the statewide average tax rate advanced from 143.52 mills to 235.22 mills.

Property taxes in Minnesota are near the top among all 50 states. Since 1959 when Minnesota's average effective property tax rate was seventh higher in the nation, our total property tax levy has increased by \$130 million and the average tax rate by more than 38 mills.

Most state government services other than highway construction and maintenance are financed principally from income and gross earnings taxes. Together these taxes on capacity to earn are expected to produce about \$442 million in the current biennium.

Revenue from individual and corporation income taxes this biennium is expected to total \$390 million net after administration costs. Of this \$323 million has been earmarked for distribution as state aid to local primary and secondary schools, \$20 million for state colleges, \$19 million for education of children in state institutions and other educational services, and the remainder for other purposes including the state university.

Local taxing districts also share in some of the state's revenues from sources other than income taxes: 30% of the receipts from excise taxes on liquor, about 22% of the excise tax on cigarets, most of the bank excise tax, a portion of inheritance and gift taxes, and other lesser taxes. Approximately \$39 million is so distributed this biennium.

In the last 10 years, giving effect to rate increases and added surtaxes, the net total revenue from individual and corporation income taxes have increased from \$54 million in fiscal 1954 to nearly \$185 million in fiscal 1964.

More than 70% of individual income taxpayers are in the \$3,000 to \$10,000 gross income groups which produce more than 52% of the total revenue from this source. Almost a third of the total of individual income tax revenue comes from taxpayers in the \$15,000 or more gross

income group, who comprise less than 3% of the total number of taxpayers.

With taxation in Minnesota limited to two of the three basic major sources the high level of public expenditure imposes on both property owners and income taxpayers obligations that are among the several highest in the nation and substantially above the national average.

## Property Taxation

### The Classification System

Property classification for purposes of taxation has been defined as a comprehensive differentiation among broad classes of real and personal property by means of unequal rates of assessment or unequal rates of tax or a combination of the two. As of 1956 there were only four states in addition to Minnesota that had a comprehensive classification system: Montana, Ohio, Virginia and West Virginia. Compared with the classified property systems of other states, Minnesota's classification is by far the most detailed and cumbersome. Minnesota has some twenty different basic classes and is unique in differentiating between urban and rural realty.

The following table shows the different tax amounts on different classes of property that have the same market value. (Chapt. 275, Minn. Statutes). The table assumes a market value of \$12,000, a 200 mill rate for agricultural property, and 225 mill rate for all property other than agricultural. Full and true value equal to 33 $\frac{1}{3}$ % of market value is also assumed.

#### A. PERSONAL PROPERTY

(Market Value: \$12,000 — Ratio of Assessment: 33 $\frac{1}{3}$ %)

<i>Class</i>	<i>Description</i>	<i>Market Value</i>	<i>Assessors Full &amp; True Value</i>	<i>Statutory Rate</i>	<i>Assessed Value</i>	<i>Mill Rate</i>	<i>Taxes</i>
1	Iron ore stockpiles	\$12,000	\$4,000	50%	\$2,000	225	\$450
1-A	Direct iron or steel products	12,000	4,000	15%	600	225	135
*2	Household goods (Non-Agr.)	12,000	4,000	25%	1,000	225	225
	Household goods (Agr.)	12,000	4,000	25%	1,000	200	200
3-A	Agricultural products (except grain in hands of producers, exempt)	12,000	4,000	10%	400	200	80
3-D	Livestock and Farm Machinery	12,000	4,000	20%	800	200	160

<i>Class</i>	<i>Description</i>	<i>Market Value</i>	<i>Assessors Full &amp; True Value</i>	<i>Statutory Rate</i>	<i>Assessed Value</i>	<i>Mill Rate</i>	<i>Taxes</i>
3	Inventory, Machinery, and Equipment	12,000	4,000	33⅓%	1,333	225	299
3-J	Crude Petroleum Processing Equipment	12,000	4,000	17%	680	225	153
4	Structures on Railroad land, Public Utility systems, Billboards	12,000	4,000	40%	1,600	225	360

## B. REAL ESTATE

(Market Value: \$12,000 — Ratio of Assessment: 33⅓%)

<i>Class</i>	<i>Description</i>	<i>Market Value</i>	<i>Assessors Full &amp; True Value</i>	<i>Statutory Rate</i>	<i>Assessed Value</i>	<i>Mill Rate</i>	<i>Taxes</i>
1	Unmined iron ore	\$12,000	\$4,000	50%	\$2,000	225	\$450
3	Rural Real Estate (Non-Agr.)	12,000	4,000	33⅓%	1,333	225	299
	Rural Real Estate (Agr.)	12,000	4,000	33⅓%	1,333	200	266
	Seasonal Recreational	12,000	4,000	33⅓%	1,333	200	266
3-b	Rural Homestead (Non-Agr.)						
	** (up to \$4,000 F & T)	12,000	4,000	20%	800	225	180
	Rural Homestead (Agr.)						
	** (up to \$4,000 F & T)	12,000	4,000	20%	800	200	160
3-c	Non-Rural Homestead						
	** (up to \$4,000 F & T)	12,000	4,000	25%	1,000	225	225
3-cc	Paraplegic Vet. Homestead						
	** (up to \$8,000 F & T)	12,000	4,000	5%	200	225	45
3-e	Rural land used exclusively for growing timber	12,000	4,000	20%	800	225	180
3-h	Petroleum Refineries	12,000	4,000	27%	1,080	225	243
	Parking Ramps (Duluth-St. Paul)	12,000	4,000	20%	800	225	180
***4	Non-Rural, non-homestead and properties not classed	12,000	4,000	40%	1,600	225	360

\* In counties which have chosen to exempt household goods, (Class 2) there is no tax.

\*\* "Assessor's Full and True Value."

\*\*\* Included in this class are commercial and residential properties which are non-homestead and the portion of non-rural homestead properties in excess of \$4,000 full and true value.

(In the preceding tables, calculated tax amounts do not include cents.)

The above table is from the County Assessing Officer Report.

This classification in Minnesota has the effect of reducing the taxable value of property to between five and fifty percent of its assessor's full and true value; if taxes were levied on assessor's full and true values, the same total amount of revenue could be realized from the application of mill rates much lower than those now prevailing.

Of more significance, however, is the effect of the classification system upon the relative tax load imposed upon different kinds of property; this differentiation has not and apparently will not follow any discernible scientific principle but rather is the result of a variety of past efforts by particular groups to gain tax relief as well as attempts on the part of the Legislature to grant concessions in order to attract new industries. This type of tax relief increases the burden on other taxpayers and should not be encouraged unless it is done for the purpose of eliminating tax inequities.

Minnesota's system of drawing fine lines of distinction between urban and rural property is not conducive to industrial growth in school districts that have both rural and urban classifications, at a time when Minnesota seeks industry; and it also adds difficulties to the job of the assessor.

While the classification system is deeply rooted in Minnesota and was originally intended to reflect the differing uses to which property could be put, and its productiveness and its desirability in a public sense, the system's theoretical advantages have over the years given way to many contradicting pressures.

Our changing economy, the decreasing productiveness of property, the ease with which one group can shift its tax burden to others through reclassification, the relatively heavy but unequal reliance we place upon property taxes generally and our high mill rates have combined to make Minnesota out of step with other states and have contributed to a poor tax climate image.

## **Valuation Information on Tax Statement**

The property owner is paying taxes based on the value of the property and the tax statement should plainly show the assessor's conclusion as to the real and actual market value of the property involved. The taxpayer will then know if his property has been over-valued and can also determine whether or not his property has been assigned the proper classification.

## **Appeal Procedure**

In valuing property for tax purposes, many factors have to be considered. The first determination rests in the sound judgment of the individual assessor and is subject to modification and correction by the county assessor in all counties having a county assessor; and in counties

having a mere supervisor of assessments, the local assessor's determination becomes final, unless the taxpayer appeals to the County Board of Review and Equalization (county commissioners).

Chapter 278, Minnesota Statutes 1961, provides for an appeal to the court. Prior to 1959, this remedy was generally thought to be inadequate but in the case of *Hamm vs State of Minnesota*, 255 Minn. 64, 94 NW 2d, 649 (1959), our Supreme Court interpreted this section so as to provide a much broader and more equitable remedy for the taxpayer; and *Renneke vs Brown County*, 255 Minn. 244, 97 NW 2d, 377 (1959), further implemented the remedy. Also, the Supreme Court decision No. 38842-58 "In re Petition of Dulton Realty and other consolidated cases, for determination of its objections to certain taxes, etc., Respondents, vs. State of Minnesota, Appellant," (Filed December 24, 1964) further considered this remedy. The Legislature should carefully examine these decisions and determine whether further remedial legislation is necessary.

### Assessment Responsibility

The Minnesota Association of Assessing Officers has pointed out that in counties which employ a supervisor of assessments, determination of market value for assessment purposes is the responsibility of local assessors. In the counties which employ a county assessor, determination of market value for assessment purposes is the responsibility of the county assessor.

A county supervisor of assessments is not charged with the duty or given authority to value and assess property nor to correct or remedy the determination of the local assessor. 64 counties have county assessors and 23 counties have a supervisor of assessments.

All Counties, except Hennepin and St. Louis counties, should have a county assessor with *county-wide* jurisdiction. In Hennepin and St. Louis Counties where they deal in property outside of the City of Minneapolis and the City of Duluth, the property within such Cities should be valued and assessed by a city assessor.

### Lake Shore Property

Owners of seasonal commercial and private lakeshore property pointed out that they cannot get the benefit of the use of their property for more than five or six months each year. They feel that they should not pay taxes on the same basis as property used during the entire year.

Under Minnesota's classified property law the private residential lakeshore property owner pays 67% more than the other rural homestead owners. This is because the percentage of assessed value on seasonal recreational property is 33 $\frac{1}{3}$ % and on rural homestead property

it is 20%, and commercial property pays on the basis of 40% and thus pays 100% more.

To illustrate, a \$9000 rural property used the year around with a uniform assessment level of one-third of market value and a tax rate of 200 mills would pay real estate taxes of \$120. The same property used for seasonal recreation purposes would pay \$200 in real estate taxes.

## Impact of Personal Property Tax

Many tangible items other than household goods are classified as "personal" property for purposes of taxation, including farm livestock and machinery, factory tools, machinery and equipment, inventories of agricultural and industrial raw materials, goods in process and finished products, and merchandise stocked for distribution at wholesale and retail levels.

Taxable values of personal property are determined by assessment as of May 1 each year and are subject to the same millage tax rate as "real" property. Revenue from personal property taxation was estimated at \$93.5 million in 1963, of which \$19 million came from taxes paid by public utility transmission and distribution lines and fuel pipelines.

The tax on household goods produced \$2.5 million in 1963. The remaining \$72 million was levied against the production and distribution segments of the state's economy:

Farm livestock, machinery and equipment.....	\$15.8 million
Manufacturing and processing inventories of raw materials, goods in process, finished goods.....	12.5 million
Industrial and processing machinery and equipment..	13.2 million
Merchandise stocked by wholesalers .....	5.7 million
Retail merchandise for consumer use.....	12.1 million
Service industry equipment and miscellaneous items.	12.7 million

In addition to the machinery taxed as "personal" property, some of the machinery permanently attached to real estate is classified as "real" property and in 1963 was subject to payment of about \$16 million levied as real estate taxes.

Inequities in personal property taxation are unavoidable. The tax does not conform to any of the three basic measures of ability to pay, is grossly subject to human error in assessment and to variations in assessment procedures from county to county, and invites deceptive and tax-evasive practices.



At the household goods level residents of 57 counties are subject to the tax, while residents of the remaining 30 countries are not. This unequal treatment results from permissive legislation enacted several sessions ago giving county boards discretion to repeal or retain the tax.

The tax falls unequally at the wholesale and retail trade level because of differences in inventory practices, types of merchandise stocked (some inventories, such as solid fuels, are near exhaustion on assessment day; others, such as farm machinery and supplies, are at their peak), and rates of turnover.

Damage to the economy from the personal property tax is heaviest at the industrial and agricultural production level, where it is imposed on inventories of raw materials, goods in process and finished products, and on the machinery and equipment essential to production. The ownership of fixed assets—lands and buildings—is generally understood to have a reasonable relationship to ability to pay. However, fluid assets—the farmer's inventories of cattle, hogs, poultry; manufacturing inventories of raw materials and goods in process, and the business inventories of manufactured goods and food supplies—temporarily owned for the sole purpose of placing the same in the channels of commerce, together with the farm machinery and the tools of production necessary therefor, are not evidences of ability to pay.

With the national economy now geared in major part to industrial production and commercial distribution, the personal property tax imposes an added production cost factor that reduces and in some cases destroys the ability of Minnesota agriculture, industry and commerce to compete on even terms with that in other states. The personal property tax makes it difficult for Minnesota-made industrial and commercial goods, and Minnesota-produced agricultural products to compete in the national market. The effect of this is to restrict production within the state and to limit opportunities for employment.

Many businesses and industries, particularly the smaller ones, lessen the impact of the personal property tax by reducing production and inventories—and, consequently payrolls—to a minimum prior to the May 1 assessment date.

Larger Minnesota-based industries, recognizing the competitive disadvantage to which they are put by the personal property tax, tend to locate new plants elsewhere in the nation; and some national manufacturers seeking new plant locations avoid the state.

## Employment

While Minnesota unemployment is low, there is statistical evidence that this has been achieved by out-migration rather than through the provision of new employment in numbers adequate to meet the job needs of displaced agricultural workers and the natural increase in population.

Currently—since the federal census of April 1, 1960—out-migration has averaged 25,000 annually and is at the highest level in the state's history. While there was an actual population gain of 107,000 in the period from April 1, 1960 to July 1, 1964, the increase was less than half of that computed by subtracting the 138,000 deaths from 356,000 births.

Federal census statistics showing that Minnesota has a greater percentage of population in the school age and retirement age groups than the nation as a whole support the conclusion that those who are leaving are in the employable age brackets. It is reasonable to assume that many of them, if not most, are leaving to go where jobs are available.

The impact of this type of out-migration on the Minnesota economy is difficult to assess in specific terms, but most certainly it is reflected in our high level of taxation on those who remain in the state. With more of our population in schools or retired and, to some extent, requiring the aid of public funds, there are proportionately fewer working-age citizens to provide needed tax revenues and they are carrying a heavier load.

We need more gainfully employed people, at industrial wage levels, to help carry the tax burden.

## Personal Income

Federal government statistics relating to personal income provide another reflection of the need for encouraging industrial and commercial expansion within Minnesota and for removing tax-structure restrictions on employment opportunity.

In the 12 months ending June 30, 1963, personal income per capita in Minnesota was \$111 below the national average of \$2,443.

It is as difficult to measure the effect of this personal income handicap on the state's general economy and its tax economy in specific terms as it is to appraise the impact of out-migration. However, applied to the state's 3,500,000 population the minus differential of \$111 per capita amounted to \$390,000,000. Had personal income in 1963 been \$390,000,000 greater—up to the national average—how much would this have produced in additional income tax revenue at present rates? How many

new homes would it have built to share and lighten the load of property taxes? How many new automobiles, refrigerators, television sets?

Under the present tax structure Minnesotans are carrying a 13%-above-average load of state and local taxes with 5½%-below-average personal income.

## Need for Replacement Revenues

If the economy-damaging and inequitable phases of personal property taxation are to be eliminated, and relief had from the excessive tax burden on real property without adding to the already heavy load carried by income taxpayers, the need for a source of replacement revenue is apparent.

As has previously been noted, the Minnesota tax structure leans heavily on two of the basic major sources of tax revenue—capacity to earn and capacity to own, i.e.: taxation of income and of property.

A net earnings tax, sometimes mentioned as a possible source of replacement revenue, falls into the “capacity to earn” category. Imposed on top of Minnesota’s present heavy income tax it would become an over-balancing load that could topple the state’s economic structure.

The only basic major revenue source under-employed by the present tax structure is the capacity to spend.

Thirty-seven of the 50 states employ the sales tax to tap this source. Its advantages are several:

Its productivity is geared to the expanding economy; stability is inherent;

It would gain revenue from non-residents who as business or pleasure visitors now enjoy the use of Minnesota public services without contributing to their operation and maintenance; it would reach persons now exempt from income taxes because of non-taxable income sources such as tax-exempt bond interest and capital gains; it is a convenient way of paying taxes, and it is easy and relatively inexpensive to administer.

The principal argument against a sales tax is that of regressivity, i.e.: that it falls more heavily, percentagewise, on those of low income or with large families who must spend a greater portion of their incomes on goods subject to the tax. Regressivity can be eliminated by either exempting food from the tax or by a system of income tax credits or refunds.

At current levels of the economy within Minnesota the annual gross product of a 1% retail sales tax would approximately \$56 million. Experience in other states shows the productivity to increase at an average rate of 5% a year.

## Viewpoint of the People

The preponderance of testimony at the public hearings was overwhelmingly in support of the need for eliminating the personal property tax on things used, usable and necessary to agricultural and industrial production and the distribution of goods and services to the people.

There were scores of graphic illustrations of the destructive impact of personal property taxation on the economy within the state. Witnesses cited many instances of gross inequities, restriction of payrolls, reduction of employment, stifled competition with other states, tax burdens that exceeded profits and discouragement of prospective new industries and businesses.

Almost equally strong was the plea of witnesses for relief from the over-burden of taxes on real estate. Home owners over 65 years of age who are retired and living on fixed income have been financially hurt by large recent tax increases on their homesteads. Many of such persons have indicated their desire to remain in their homes and to pay a fair share of local taxes based on their static ability to pay. They believe it would increase local welfare costs to unreasonable amounts if they were to sell their homesteads and to seek public housing.

It has been suggested that the state should provide tax relief for senior citizens owning homesteads who are dependent upon fixed incomes of less than a minimum amount.

There was general support of the need for a source of replacement revenue to make tax reform and tax relief possible. While some witnesses advocated a net earnings tax and a few suggested increasing income taxes, a substantial majority advocated enactment of a replacement sales tax with revenues devoted wholly to personal property tax reform and real estate tax reduction.

There was strong demand for "holding the line" on public spending as a basic and supplementary means of easing tax burdens. Many of the witnesses urged that the provision of new or expanded public services of government be halted until such time as they were warranted by improvement of the economy within the state.

Over all, the testimony of the more than 400 witnesses left no doubt that the people of Minnesota are critically concerned with the tax problem and that they look to the State Legislature for remedial legislation in 1965.

## Public Hearings Held by the Commission

1. St. Cloud Hearing—October 22, 1963.

*Area:* Benson, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd and Wright Counties.

2. Fairmont Hearing—November 19, 1963.

*Area:* Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, LeSueur, Martin, Waseca, and Watonwan Counties.

3. Bemidji Hearing—January 28, 1964.

*Area:* Beltrami, Cass, Clearwater, Hubbard, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake and Roseau Counties.

4. Winona Hearing—February 25, 1964.

*Area:* Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha and Winona Counties.

5. Olivia Hearing—April 2, 1964.

*Area:* Chippewa, Kandiyohi, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, Sibley, Swift and Yellow Medicine.

6. St. Paul Hearing—April 23, 1964.

*Area:* Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

7. Fergus Falls Hearing—May 21, 1964.

*Area:* Becker, Big Stone, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, Wadena and Wilkin Counties.

8. Virginia Hearing—July 30, 1964.

*Area:* Aitkin, Carlton, Cook, Itasca, Lake and St. Louis Counties.

An alphabetical index of witnesses at the public hearings follows:

# Witnesses

<i>Name</i>	<i>Address</i>	<i>Hearing</i>	<i>Name</i>	<i>Address</i>	<i>Hearing</i>
Aebli, Irvin, Marietta .....	Olivia		Cady, Fred C., Minneapolis .....	St. Paul	
Albertson, Rep. Howard,			Cain, J. D., Birchwood		
Stillwater .....	St. Paul		(White Bear) .....	St. Paul	
Aldinger, Arthur, Winona .....	Winona		Callaway, William, Spring Valley .....	Winona	
Alsop, Wayne, Bemidji .....	Bemidji		Campbell, Oscar, St. Charles .....	Winona	
Altnow, Earl, Minneapolis .....	St. Paul		Carlson, Mrs. Loretta, Willmar ....	Olivia	
Anderson, Carl B., Crane Lake .....	Virginia		Carlson, Stanley J., Marshall .....	Olivia	
Anderson, George, Alexandria .....	Virginia		Carlson, William, Bloomington .....	St. Paul	
Anderson, Harold, Lake Benton .....	Olivia		Carpenter, Cy, Thief River Falls ..	Bemidji	
Anderson, Lois, Tower .....	Virginia		Carpenter, G. R., Fergus		
Anderson, Paul, Bemidji .....	Bemidji		Falls .....	Fergus Falls	
Anderson, William, Stillwater .....	St. Paul		Cartwright, Floyd S., Shevlin .....	Bemidji	
Arnquist, Irving, Hoffman .....	Fergus Falls		Caselle, Olem, Olivia .....	Olivia	
Aurell, Dave, Grand Rapids .....	Virginia		Charbonneau, Harvey, St. Paul .....	Virginia	
Baakkonen, Felix, Cass County ..	Bemidji		Chutich, Joe, Anoka .....	St. Paul	
Bahner, Walter, Foley .....	St. Cloud		Cibuzar, Paul, Brainerd .....	St. Cloud	
Barber, Charles, Arco .....	Olivia		Cina, Fred Rep., Aurora .....	Virginia	
Barker, John, Minneapolis .....	St. Paul		Clampitt, Dr. Richard, St. Cloud ..	St. Cloud	
Barthelmey, Paul, Bemidji .....	Bemidji		Clement, G. C., Henning ....	Fergus Falls	
Bedard, George, Brainerd .....	St. Cloud		Condon, George, St. Cloud .....	St. Cloud	
Bedney, Tom, Hope (New Hope) ..	Winona		Conn, Gordon, Elbow Lake .....	Fergus Falls	
Benschoeter, Gordon, Fairmont ..	Fairmont		Connors, Herb, Bemidji .....	Bemidji	
Benson, Arvid, Moorhead .....	Fergus Falls		Covorn, Bob, Benton County .....	St. Cloud	
Bentley, Bill, Brainerd .....	St. Cloud		Crawford, Robert, Park Rapids ..	Bemidji	
Benzian, Richard, Anoka .....	St. Paul		Crowley, Ray, Winona .....	Winona	
Berg, Orville, Solway .....	Bemidji		Cummings, Joe, Moorhead .....	Fergus Falls	
Bergeman, Lawrence, Welcome ..	Fairmont		Cunningham, Lawrence, Pipestone ..	Olivia	
Bernhagen, John, Hutchinson .....	Olivia		Currel, John, St. Paul .....	St. Paul	
Berguist, Gordon, Willmar .....	Olivia		Czeczok, Ed, Winona .....	Winona	
Billings, Herb, Verndale .....	Fergus Falls		Dahlgren, Parks, Bird Island ....	Olivia	
Bjella, Lowell, Bemidji .....	Bemidji		Darst, Delbert, Bagley .....	Bemidji	
Bjornson, Val, St. Paul .....	St. Paul		Demgen, Ralph, Benson .....	Olivia	
Blewett, W. K., Park Rapids .....	Bemidji		Delahunt, Ed, Park Rapids .....	Bemidji	
Bottemiller, Mert, Wadena .....	Fergus Falls		DeZurik, Ray, Sartell .....	St. Cloud	
Brand, Jeff, Park Rapids .....	Bemidji		Dickerson, John, Duluth .....	Virginia	
Bredlie, Elmer, Polk County .....	Bemidji		Diles, Fred, Detroit Lakes .....	Fergus Falls	
Brems, Glenn, Winona .....	Winona		Donahue, Pat, International		
Bridgman, Betty, Minneapolis ..	St. Paul		Falls .....	Bemidji	
Brills, Howard, Puposky .....	Bemidji		Donlin, Tom, Jr., St. Cloud .....	St. Cloud	
Brooks, William, Chisago City ..	St. Paul		Doran, Buck, Duluth .....	Virginia	
Brown, Don, Waseca .....	Fairmont		Draheim, Earl, Olivia .....	Olivia	
Brummer, Henry, Renville .....	Olivia		Drenckpohl, Erwin, LeSueur .....	Fairmont	
Buchanan, Bernard, Carlton ....	Virginia		Ebersviller, Gordon, Fergus		
Buck, Donald, Hopkins .....	St. Paul		Falls .....	Fergus Falls	
Bunge, Elmer, Caledonia .....	Winona		Elliot, Lloyd, Benson .....	Olivia	
Bureau, Henry, Fergus Falls .....	Fergus Falls		Elmer, Edwin W., Minneapolis .....	Virginia	
Burg, Charles, Chokio .....	Fergus Falls		Enestvedt, Odean, Sacred Heart ..	Olivia	
Burgess, Merrill, Minneapolis ..	St. Paul		Engelstad, Cal, Hopkins .....	St. Paul	
Byers, William, Itasca County ..	Virginia				

# Witnesses

<i>Name</i>	<i>Address</i>	<i>Hearing</i>	<i>Name</i>	<i>Address</i>	<i>Hearing</i>
Enger, Walter, Blue Earth	....	Fairmont	Hammerstrom, C. B., Ely	....	Virginia
Erickson, Chris, Fairmont	.....	Fairmont	Hamre, Eloi, Hutchinson	.....	Olivia
Erickson, George, Stillwater	....	St. Paul	Hanson, H. E., Cass County	....	Bemidji
Erickson, Joyce, Goodhue	.....	Winona	Harmon, Reuel, St. Paul	.....	St. Paul
Erickson, Mrs. Joyce, Goodhue	..	Winona	Haroldson, Clint, Renville	.....	Olivia
Erlanderson, Ralph, Albert Lea	..	Fairmont	Harrison, Frank, Walker	.....	Bemidji
Femling, Dexter, Dent	.....	Fergus Falls	Hartman, R. J., Pierz	.....	St. Cloud
Feuerheim, Harold, New Ulm	..	Fairmont	Hatchett, Hart, Moorhead	.....	Virginia
Fieten, Phil, Winona	.....	Winona	Haverland, Fred, St. Cloud	....	St. Cloud
Finberg, Don, Clinton	.....	Fergus Falls	Heickes, George P., Ellsworth	....	Olivia
Fink, I. R., Duluth	.....	Virginia	Hein, Miss Hildegard,		
Fischer, Clifford, Buffalo Lake	....	Olivia	New Ulm	.....	Fairmont
Fiterman, Harry, Minneapolis	....	St. Paul	Hempstead, Dillon, Houston	....	Winona
Flaat, Lowell, Fisher	.....	Bemidji	Henning, H. J., Pelican		
Francis, Owen, St. James	.....	Fairmont	Rapids	.....	Fergus Falls
Franzen, Herb, Hutchinson	.....	Olivia	Henry, Kerney, Foley	.....	St. Cloud
Fredericks, Perry B., St. Paul	..	St. Paul	Hersberg, Larry, Mankato	....	Fairmont
Fredrickson, George, Hutchinson	....	Olivia	Heumoeller, Don, Truman	....	Fairmont
Fredrickson, Kenneth, Hutchinson	..	Olivia	Hinds, Temple, Hubbard	.....	Bemidji
Freer, Lyle, Wedena	.....	Fergus Falls	Hodgson, Thomas H.		
Fritzsche, Dr. Albert, New Ulm	..	Fairmont	Minneapolis	.....	St. Paul
Fritz, Bob, Fergus Falls	....	Fergus Falls	Hoese, A. W., Glencoe	.....	Olivia
Fugina, Rep. Peter X. Virginia	..	Virginia	Hofelmann, George, Luverne	....	Olivia
Gary, Bill, Minneapolis	.....	St. Paul	Hoffman, Paul, St. Cloud	.....	St. Cloud
Giese, Henry, East Grand			Hoffmann, Eugene, Litchfield	....	Olivia
Forks	.....	Bemidji	Hoglund, Dr. Herb, Willmar	.....	Olivia
Gimmetstad, Ben, Dawson	.....	Olivia	Holliday, Leo, Olivia	.....	Olivia
Gilderhus, David, Adams	.....	Winona	Holm, Roger, Atwater	.....	Olivia
Gilford, Viola, Bayport	.....	St. Paul	Hopps, Ed, Shakopee	.....	Olivia
Gilstad, Arthur, St. Paul	.....	St. Paul	Horton, Robert, Winona	.....	Winona
Gislason, C. J., Lyle	.....	Winona	Howes, Eugene C., Grand		
Goetz, James, Winona	.....	Winona	Rapids	.....	Bemidji
Gollner, Paul, Hector	.....	Olivia	Hudson, Sanford H., Benson	....	Olivia
Goss, Mrs. Odean, Lewiston	....	Winona	Humphrey, Ray, Stillwater	....	St. Paul
Grams, Harold, Virginia	.....	Virginia	Hunter, Blanche, Winona	.....	Winona
Granath, John, Dassel	.....	Olivia	Huseman, Al, Caledonia	.....	Winona
Grant, Walter, Cottonwood			Isfeld, Willard, Henricks	.....	Olivia
County	.....	Fairmont	Jacobs, M. J., Bird Island	.....	Olivia
Green, Jerome, Morgan	.....	Olivia	Jacobs, Sylvester, Bird Island	....	Olivia
Grove, Carlos, Roosevelt	.....	Bemidji	Jamar, Walker, Jr., Duluth	....	Virginia
Gunderson, Jerome, Mabel	.....	Winona	Jansen, E. T., Anoka	.....	St. Paul
Guthman, Howard, St. Paul	....	St. Paul	Janssen, John, St. Croix Beach	..	St. Paul
Hagen, Delmar, Marshall			Jaranson, Al, Bemidji	.....	Bemidji
County	.....	Bemidji	Johnson, Charles V., Jackson	..	Fairmont
Hale, Ed. Stewartville	.....	Winona	Johnson, Clint, Fairmont	....	Fairmont
Hall, Harry, Stillwater	.....	St. Paul	Johnson, George D., Duluth	....	Virginia
Halstad, C. T., Halsted	.....	Bemidji	Johnson, Ralph, Worthington	....	Olivia
			Joice, Fred, Cloquet	.....	Virginia

# Witnesses

<i>Name</i>	<i>Address</i>	<i>Hearing</i>	<i>Name</i>	<i>Address</i>	<i>Hearing</i>
Jones, Mrs. Ole, Fillmore County	Winona		Locky, Robert, Duluth	Virginia	
Jones, Loyal, Park Rapids	Bemidji		Lofenberger, Art, Waconia	St. Paul	
Jule, B. C., Rock County	Olivia		Lorig, E. J., Waseca	Fairmont	
			Lyons, Charles, Bemidji	Bemidji	
Kamman, William S., Grand Rapids	Virginia		Mac Gregor, Fergus, Aitkin	Virginia	
Kane, A. W., Parkville	Virginia		Mac Neil, Dean, Forest Lake	St. Paul	
Katroska, George F., Grand Marais	Virginia		Mareck, Waldo, St. Louis Park	St. Paul	
Keena, Tom, Detroit Lakes	Fergus Falls		Marks, Harry, Delaven	Fairmont	
Kerfoot, William, Duluth	Virginia		Markson, Jesse, La Salle	Fairmont	
Kerns, Bill, St. Paul	St. Paul		Marott, Rudolph A., Ely	Virginia	
Ketcham, Ted, Olivia	Olivia		Martin, Chester, Blackduck	Bemidji	
Kingsbury, Putnam, Rochester	Winona		Matson, Kenneth R., Chicago	Winona	
Kirstero, Peter, Montevideo	Olivia		Matt, Al, Fairmont	Fairmont	
Kluck, George, Pinewood	Bemidji		Matter, John, St. Cloud	St. Cloud	
Knapp, Willard, Rochester	Winona		Mattson, Gene R., Hoffman	Fergus Falls	
Knutson, Judge J. T., Anoka	St. Paul		McCauley, Robert, Moose Lake	Virginia	
Kohl, Robert, Bemidji	Bemidji		McIntosh, Mrs. Earl, Minneapolis	St. Paul	
Kohlmeyer, Louis W., Chatfield	Winona		McKibbon, Bill, Foley	St. Cloud	
Kohlstorf, Arnold, Lake George	Bemidji		McLaughlin, George A., Minneapolis	St. Paul	
Kellsrud, Wallace, Richfield	St. Paul		McLeland, L. K., St. Cloud	St. Cloud	
Koopman, Wilbert, Grove City	Olivia		McManus, L. C., Spring Park	St. Paul	
Kopplin, E. O., Litchfield	Olivia		McRae, Sheldon, Bemidji	Bemidji	
Kottschade, Francis, Kellogg	Winona		Mele, Tom, St. Cloud	St. Cloud	
Krabbenhoft, Norman, Moorhead	Fergus Falls		Menke, Herbert, Welcome	Fairmont	
Krizan, Ed, Walker	Bemidji		Merickel, John, Wadena	Fergus Falls	
Krogh, Lee V., Fergus Falls	Fergus Falls		Metcalfe, John, Savage	St. Paul	
Kruegel, Leo, Spring Valley	Winona		Mills, Jack, Montevideo	Olivia	
Kruse, Albert, Bird Island	Olivia		Mills, L. P. (Tip), Hutchinson	Olivia	
Kuefler, Mike, St. Cloud	St. Cloud		Miner, Mrs. Paul, Winona	Winona	
Kuiter, Jacob, Clarks Grove	Fairmont		Mohagen, Harold, Elbow Lake	Fergus Falls	
Lacher, Halvor, Rushford	Winona		Moll, Norman, Worthington	Olivia	
Lacey, Clarence, Wendell	Fergus Falls		Molnau, Ed, Chaska	Olivia	
Lahti, Ron, Virginia	Virginia		Morris, Richard, Aitkin	Virginia	
Larrimore, Paul, Albert Lea	Fairmont		Morris, Robert, Duluth	Virginia	
Larson, Alvin, Fairmont	Fairmont		Morrison, Ed, Morris	Fergus Falls	
Larson, Clarence, Fairmont	Fairmont		Morse, William, Winona	Winona	
Larson, Don, Duluth	Virginia		Mueller, Jack, Bemidji	Bemidji	
Larson, Mazehan, Waterville	Fairmont		Muench, Jerome, Detroit Lakes	Fergus Falls	
Latz, Rep. Robert, Minneapolis	St. Paul		Muench, Kunibert, Bird Island	Olivia	
Lee, Rep. L. J., Bagley	Bemidji		Muff, Catherine, Eveleth	Virginia	
Leicht, Fred, Winona	Winona		Mundt, Clarence, Winona	Winona	
Leinbach, Fred, Buffalo	St. Cloud		Murray, Phillip, International Falls	Bemidji	
LiaBraaten, Orlo, Virginia	Virginia		Musenbrock, Richard, Minneapolis	St. Cloud	
Liedel, Mrs. Victor, La Crescent	Winona				
Lindstrom, Harold, Pine City	St. Cloud				
Lockwood, Paul, Windom	Fairmont				



# Witnesses

<i>Name</i>	<i>Address</i>	<i>Hearing</i>	<i>Name</i>	<i>Address</i>	<i>Hearing</i>
Natwick, Herman, Ada	.....	Bemidji	Pursley, Richard, Aitkin	.....	Virginia
Nelson, Arthur, Bemidji	.....	Bemidji	Putt, Bertha, St. Paul	.....	St. Paul
Nelson, Lloyd, Thief River Falls	.....	Bemidji	Queensbury, S. V., Redwood Falls	.....	Olivia
Nelson, Norman, Bagley	.....	Bemidji	Quistgard, Jack, Bemidji	.....	Bemidji
Nelson, Robert, Hayfield	.....	Winona	Raitz, Erwin, Bird Island	.....	Olivia
Nemer, Stan, Minneapolis	.....	St. Cloud	Rajala, Arthur, Big Fork	.....	Virginia
Nepp, Derald, Lake Wilson	.....	Olivia	Randall, Oliver D., Owatonna	.....	Winona
Newhouse, Julian, Alexandria	.....	Fergus Falls	Reinarz, H. B., International Falls	.....	Bemidji
Nielsen, S. M., Minneapolis	.....	St. Paul	Reinig, Marshall, Duluth	.....	Virginia
Nielson, Clarence, Caledonia	.....	Winona	Remington, Al, Minneapolis	.....	St. Paul
Noack, Maurice, Arlington	.....	Olivia	Rice, Bernard, Minneapolis	.....	St. Paul
Northrup, Byron, Puposky	.....	Bemidji	Richardson, Harvey, Morris	.....	Fergus Falls
O'Dea, Rep. Richard			Richter, Donald, Wadena	.....	Fergus Falls
Mahtomedi	.....	St. Paul	Rogstad, Kent, Detroit Lakes	.....	Fergus Falls
O'Dell, George, Brooten	.....	St. Cloud	Ruge, Carl, Winona	.....	Winona
Ogdahl, Sen. Harmon, Minneapolis	.....	St. Paul	Ruttger, Alec, Brainerd	.....	St. Cloud
Olson, Paul, Bemidji	.....	Bemidji	Salmonson, O. C., St. Hilaire	.....	Bemidji
Olson, Robert, Tower	.....	Virginia	Sandelin, Ed, Duluth	.....	Virginia
Ostby, D. E., Plummer	.....	Bemidji	Sanders, Walter, Hoffman	.....	Fergus Falls
Owens, Art, St. Louis Park	.....	St. Paul	Sands, J. W., Marshall County	.....	Bemidji
Park, L. C., Minneapolis	.....	St. Paul	Sauer, David, Winona	.....	Winona
Patterson, Harry, Madison	.....	Olivia	Sauve, Richard, Minneapolis	.....	St. Paul
Patterson, Orbis, Willmar	.....	Olivia	Saxton, Lyle, Granada	.....	Fairmont
Pattisson, Dwaine, Elbow Lake	.....	Fergus Falls	Schacker, C. H., Grand Rapids	.....	Virginia
Paul, Robert, Longville	.....	Bemidji	Scheffner, Mrs. George, La Crescent	.....	Winona
Paulsen, William, Redwood Falls	.....	Olivia	Schewe, Stanley, Sleepy Eye	.....	Fairmont
Pearson, John O., Detroit Lakes	.....	Fergus Falls	Schilling, John, Duluth	.....	Virginia
Pengilly, Dick, New Ulm	.....	Fairmont	Schlik, Edwin, Paynesville	.....	St. Cloud
Peterson, Art, Gaylord	.....	Olivia	Schmidt, Robert, Minneapolis	.....	St. Paul
Peterson, Don, Truman	.....	Fairmont	Schrank, Henry, Breckenridge	.....	Fergus Falls
Peterson, John, Willmar	.....	Olivia	Schultz, Stan, Forest Lake	.....	St. Paul
Pfremmer, Herb, Virginia	.....	Virginia	Schumacher, D. P., Olivia	.....	Olivia
Plankers, Roy, Ely	.....	Virginia	Scott, R. G., St. Paul	.....	St. Paul
Plunkett, Ken, Moorhead	.....	Fergus Falls	Selover, Robert, Winona	.....	Winona
Popp, Don, Hutchinson	.....	Olivia	Shanard, John M., Minneapolis	.....	St. Paul
Pratt, James, Minneapolis	.....	St. Paul	Sievers, E. J., Winona	.....	Winona
Preiss, Ted, Glencoe	.....	Olivia	Siewert, Richard, Rochester	.....	Winona
Prelvick, Zorn, Hector	.....	Olivia	Silvola, Richard, Virginia	.....	Virginia
Prescott, Robert, Duluth	.....	Virginia	Sinn, William, Blue Earth	.....	Fairmont
Pribl, Mr.	.....	St. Paul	Slade, G. N., White Bear Lake	.....	St. Paul
Priley, Joseph C., Duluth	.....	Virginia	Slater, Rep. Dan, St. Paul	.....	St. Paul
Primus, Robert, Red Wing	.....	Winona	Slinden, Donald, Atwater	.....	Olivia
Pryor, Knight, St. Paul	.....	St. Paul	Smederberg, Al, Park Rapids	.....	Bemidji

## Witnesses

<i>Name</i>	<i>Address</i>	<i>Hearing</i>	<i>Name</i>	<i>Address</i>	<i>Hearing</i>
Smith, Ron, Montevideo .....	Olivia		Van Meter, T. C., Fergus		
Soby, B. K., Fergus Falls ..	Fergus Falls		Falls .....	Fergus Falls	
Somsen, Henry, New Ulm ....	Fairmont		Vik, Roland, Park Rapids .....	Bemidji	
Soost, Albert, Wells .....	Fairmont		Vondrashek, William, Little		
Speece, Harold, Meadowlands....	Virginia		Falls .....	St. Cloud	
Spooner, Stan, Winona .....	Winona		von Ohlen, Henry, Mankato .....	Olivia	
Sprenger, Fritz, Zumbro Falls ...	Winona		Wagtskjold, Paul, Cloquet .....	Virginia	
Stadein, Renee, Cambridge ...	St. Cloud		Walker, Bill, Chisago City ...	St. Cloud	
Stearns, Robert, Hutchinson....	Olivia		Walter, Henry, Cloquet .....	Virginia	
Stephenson, Mrs. Robert, Winona.	Winona		Watland, Buren, Jackson .....	Fairmont	
Steven, Leo, Spring Valley.....	Winona		Webb, Mrs. Glendon, St. Cloud.	St. Cloud	
Stock, Ernest, Mahnomen .....	Bemidji		Weber, Wayne, Frost .....	Fairmont	
Stock, W. F., Cloquet .....	Virginia		Weidman, Elmer, Eveleth .....	Virginia	
Stordahl, Ray, Moorhead..	Fergus Falls		Wells, Thornton, Moorhead ..	Fergus Falls	
Struz, John, Red Wing .....	Winona		Wessels, Carl, Blue Earth .....	Fairmont	
Stutzman, Herb, Woodbury			West, Mrs. Joan, Willmar .....	Olivia	
Township .....	St. Paul		West, William, St. Paul .....	St. Paul	
Sutton, Kenneth, Wood Lake ....	Olivia		White, Lawrence, Lake George..	Bemidji	
Swanson, Elmer, Grove City ...	Olivia		Westerdahl, Mrs. Gloria, Bemidji.	Bemidji	
Swanson, Gerald, Winona .....	Winona		Westholm, Harold, Walker ....	Bemidji	
Swenson, Jennis H., Biwabik ...	Virginia		Wilson, Carroll, Faribault .....	Winona	
Swenson, John, Fergus Falls..	Fergus Falls		Wilson, Curtis, Canby .....	Olivia	
			Winholz, H. M., Rochester .....	Winona	
Tank, Arnold, Villard ....	Fergus Falls		Wogan, S. Franz, Montevideo ....	Olivia	
Thein, Norman, Fairmont ....	Fairmont		Wohlenhaus, Harry, Wheaton.	Fergus Falls	
Thern, Royal, Winona .....	Winona		Wolf, Robert, Waseca .....	Fairmont	
Thies, Everett, Hamel .....	St. Paul		Woodward, Charles, St. Paul		
Thorgeson, A. G., Albert Lea ..	Fairmont		Park .....	St. Paul	
Tilton, John, Hopkins .....	St. Paul		Wright, Joe, St. Louis Park....	St. Paul	
Torgerson, S. A., Hawley..	Fergus Falls		Wright, Norman, Aitkin .....	Virginia	
Tritchier, Joe, Wabasha .....	Winona				
Tucker, Robert, St. Paul .....	St. Paul		Youngdale, Jim, Benson .....	Olivia	
Tyler, Loren, Benson .....	Olivia				
			Ziegler, Mrs. Harry, Blue Earth.	Fairmont	
Vadheim, Roger, Tyler .....	Olivia		Zimmerman, Roland, Racine ....	Winona	
			Zinter, Mrs. Opal, Canby .....	Olivia	



## Findings

Minnesota's present tax structure relies too heavily on taxation of property and income for the revenues required by state and local government, creating severe over-burden.

There are substantial inequities in personal property taxation, between and within categories of taxpayers.

Application of the personal property tax to agricultural and industrial production machinery and inventories of raw materials, goods in process and finished products, and to the inventories and equipment of wholesalers and retailers, is damaging the general economy by inhibiting industrial and commercial growth and restricting employment.

The revenue productivity of the present tax structure is at or close to its feasible maximum in relation to the general economy within the state, hampering the ability of government, particularly at the local level, to meet legitimate needs.

## Conclusions

The Commission concludes that there is substantial need for revision of the state and local tax structure:

- (1) **to encourage economic growth and greater employment opportunity by eliminating taxation of the tools and materials of production and distribution.**
- (2) **to correct inequities that distribute the tax burden unfairly.**
- (3) **to provide immediate and continuing relief from excessive tax burdens against homes, farms and other real property.**
- (4) **to aid local government in meeting the legitimate needs of the people without added burden on existing revenue sources.**

It is the conviction of the Commission that the future economic, cultural and social well-being of the people, and their provision with the essential services of government, depends on the state's competitive ability to attract venture capital for industrial and commercial development, and that appropriate revision of the tax structure is essential to this end.



## Recommendations

In conformity with the law establishing this Commission (Sec. 6 of Chapter 879 of the 1963 Session Laws), the Commission recommends:

### I

Elimination of the personal property tax on the tools and equipment of industrial production, and on inventories of industrial raw materials, goods in process and finished products; on farm livestock, machinery and inventories; on merchandise stocked by wholesalers and retailers; on equipment and inventories of service industries, and on household goods.

Full replacement to local governmental units, on a continuing basis, of revenues now obtained from taxation of personal property so eliminated from the tax rolls.

Provision of state revenues adequate to enable substantial direct real estate tax relief to owners of homes, farms and other real property.

The method of raising the necessary replacement revenue is for legislative discretion and determination.

### II

That the office of county supervisor of assessments be eliminated in the 23 counties where they now exist and that such supervisor, wherever competent, be made county assessor. However, counties which include cities of the first class may need special consideration in connection with county supervisors of assessment.

### III

That all property tax statements shall show the real and actual value as found by the assessor.

### IV

That the Legislature should carefully examine the recent Supreme Court decisions with reference to Chapter 278, Minnesota Statutes 1961, which provides for taxpayer appeals to the court, and determine whether further remedial legislation is necessary.

### V

That tax relief be provided for senior citizens of low income who are dependent upon fixed income and who own and reside in their own homes.



Members of the Senate

ERNEST J. ANDERSON  
Frost, Minnesota 56033  
WALTER J. FRANZ  
1102 Box Elder  
Mountain Lake, Minnesota 56159  
NORMAN W. HANSON  
Route 1, Box 2  
Cromwell, Minnesota 55726  
STANLEY W. HOLMQUIST  
Grove City, Minnesota 56243  
JOHN H. McKEE  
1002 Bemidji Avenue  
Bemidji, Minnesota 56601  
RAPHAEL F. SALMORE  
718 West Pine  
Stillwater, Minnesota 55082  
DONALD O. WRIGHT  
370 Pillsbury Building  
Minneapolis, Minnesota 55402

State of Minnesota

Interim Tax Study Commission of 1963-64

204 State Capitol — St. Paul, Minnesota 55101  
Telephone 221-2248

DONALD O. WRIGHT, Chairman  
ROBERT W. JOHNSON, Vice-Chairman  
WALTER J. FRANZ, Secretary

December 3, 1964

Members of the House

SALISBURY ADAMS  
Route 2, Myrtlewood Road  
Wayzata, Minnesota 55391  
ROY E. DUNN  
Pelican Rapids, Minnesota 56572  
GEORGE A. FRENCH  
1018 Foshay Tower  
Minneapolis, Minnesota 55401  
JOE GIMPL  
Hinckley, Minnesota 55037  
ROBERT W. JOHNSON  
1950 Bayard Avenue  
St. Paul, Minnesota 55116  
MARTIN J. MCGOWAN, JR.  
349 East Snelling Avenue  
Applaton, Minnesota 56208  
CHARLES H. MILLER  
Kellogg, Minnesota 55945

THE MEMBERS OF THE ABOVE NAMED COMMISSION HEREBY APPROVE  
THE WITHIN REPORT.

<u>Donald O. Wright</u>	<u>Robert W. Johnson</u>
<u>John H. McKee</u>	<u>Joe Gimpl</u>
<u>Stanley W. Holmquist</u>	<u>Martin J. McGowan Jr.</u>
<u>Raphael Salmore</u>	<u>Samuel Adams</u>
<u>Norman W. Hanson</u>	<u>Geo A French</u>
<u>Frank Anderson</u>	<u>Roy Dunn</u>
<u>Walter J. Franz</u>	