

AN ACTION PROGRAM ON TAX REFORM :

**A Special Message to the Members of the Minnesota State
Legislature. - February 6, 1961 - Governor Elmer L. Andersen,**

Supplementing the inaugural and budget messages, may I suggest
the following action program on tax reform:

- 1 - Eliminate the personal property tax on manufacturers' inventories. This will require local replacement revenue of \$9,000,000 per year.
- 2 - Eliminate the personal property tax on livestock. This will require local replacement revenue of \$6,000,000 per year.
- 3 - Amend the homestead tax law at this session to provide that the assessments on homesteads occupied by owners over 65 would be 20 and 15% of full and true value rather than the present 25 and 20%. This will require \$3,600,000 in replacement revenue. Information should be gathered by the Department of Taxation during the coming biennium and be presented to the 1963 legislature. This information should be the basis of legislation which would eliminate the property tax on the \$4,000 homestead valuation of homesteads occupied by owners over 75 years of age. This should be accomplished by a gradual reduction beginning at age 65.

The above three proposals would require a total replacement tax of \$18,600,000 per year. I would suggest the following taxes to be collected by the state and distributed to the counties and other local governmental

subdivisions on an equitable formula to be developed by the legislature.

	<u>Estimated annual yield</u>
4% tax on heating gas and fuel oil	\$ 9,000,000
1% tax on telephone, telegraph and electric power	4,250,000
1/2¢ per package of cigarettes	2,000,000
1/2¢ per bottle, soft drinks	<u>3,350,000</u>
Total	\$18,600,000

These suggested taxes to be levied on business as well as the individual, are now paid by business in many states and will not unjustly or oppressively burden the individual taxpayer.

May I say to those who may oppose or criticize these replacement taxes, that I will gladly consider any alternative suggestions.

- 4 - Adopt a constitutional amendment that will assure firms engaged in taconite production that their taxes will not exceed those of manufacturing and other industrial concerns. This is simply an assurance of equality, and not a grant of special privilege nor a freezing of tax rates.
- 5 - Provide alternative personal property assessment dates such as the end of the calendar or fiscal year, and the option of average quarterly or monthly inventory, and revise the percentage of full and true value to determine personal property assessed valuation to conform more nearly to existing practice.
- 6 - In support of the 1956 Governor's Tax Study Committee report relative to assessment procedures and equalization of assess-

ment, implement the recommendations in some practical way at this session.

- 7 - If the legislature is going to enact a withholding system of collecting taxes at this session, I would urge that such enactment be accomplished in the very near future. The adoption of withholding will not solve the state's financial needs, but its passage early in the session will clear the way for facing realistically revenue and tax reform problems.

With the proponents willing to eliminate double taxation and windfalls, most of the major objections of previous opponents are answered. However, I must point out that unless other provision is made, sufficient borrowing capacity will be needed to assure adequate funds until withholding payments liquidate the present large deficiency in the income tax fund and catch up with the need.

Further, may I reiterate my strong conviction that the income tax and the income tax school fund should be dedicated to the support of elementary and secondary education -- and that we must take further steps to re-establish this principle. In fact, my acceptance of withholding, if enacted, will be tied closely to this principle of dedication.

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Adoption of these measures, while not completing the job, would make it easier for our older citizens to stay in their own homes, would be a specific improvement in farm income, would provide substantial encouragement to Minnesota firms to grow and expand here and would improve our competitive position in bringing new firms to Minnesota. I believe it would

be worthwhile for our people to accept the direct taxes suggested in return for the jobs and steady employment that will result.

By a few tough decisions now Minnesota can become the greatest ore processing center in the world, could have an industrial development of very great proportions, and thus construct the economic undergirding for a happy and prosperous society of fully employed people at good wages supporting a government providing fine health, education, protection and social services. The alternative is a gradual decline into economic, social and political insignificance.

It would be a tragedy to lose the advantage of our great human and natural resources by turning our backs on the competitive realities of our interstate and international relationships. If we will but think in terms of what we can contribute to build our state, if we will but lift our sights to see the employment of our people, the renewal of our cities and villages, the benefits of research, and the economic resurgence that can be ours, we will act with confidence and purpose.