

# Tax Reform: Should benefit employers and employees

**Minnesota has another large surplus this year, and spending has gone up more than 10 percent. It's time to give it back, by using federal tax reform to provide tax relief that benefits all Minnesota employers and employees.**

## How federal tax reform impacts Minnesota

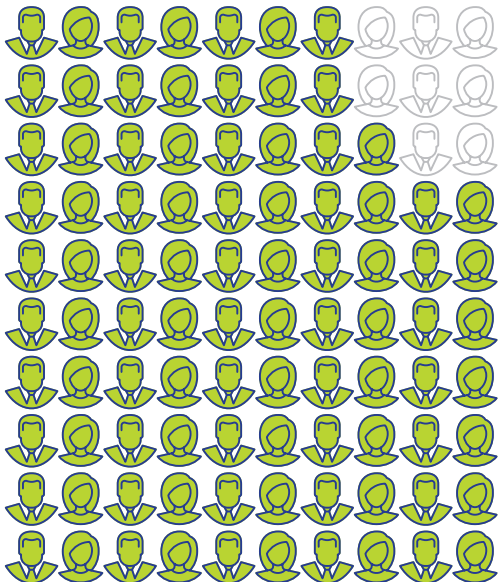
The state must conform to federal tax changes, or risk leaving individuals and businesses to face an overly-complicated system to prepare tax returns. If lawmakers choose merely to adopt new federal definitions, taxpayers will pay an additional \$1.6 billion over the next four years.

Federal tax changes lower rates for most Americans, but also makes more state income to state income taxes. Putting a federal financial windfall in the hands of the private sector will grow the economy and benefit all Minnesotans.

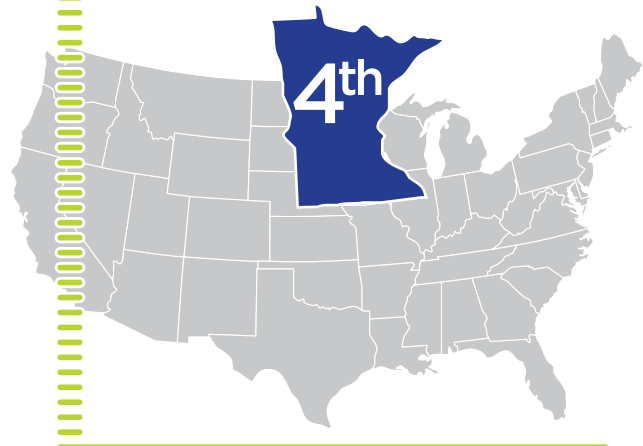
### ✓ **SOLUTION:** Provide employers opportunity to invest and grow in Minnesota by reducing the individual income tax rate.

An overwhelming majority of business owners pay taxes through their personal income. Studies have found that high marginal income-tax rates have a detrimental impact on the ability of businesses to invest in their people and their facilities - and recruitment of talent - the very items needed for economic growth.

**92%** of Minnesota businesses pay taxes through the individual income system.



— Minnesota's top individual income tax rate is **9.85%** - the fourth highest in the nation.



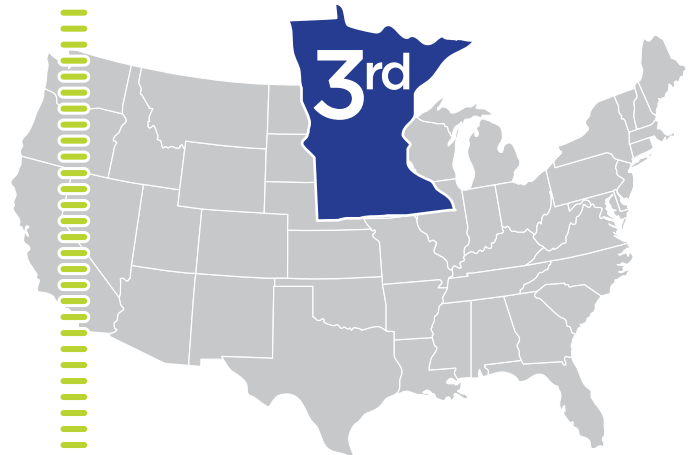
✓ **SOLUTION:** Continue the legacy of entrepreneurship in Minnesota by lowering the corporate tax rate.

Minnesota has 17 Fortune 500 companies, nearly all of them homegrown. **The vast majority of the 35,000 C Corporate taxpayers are small business.** High taxes stand in the way of growing current business, keeping and recruiting strong talent, and fostering new start-up activity.

*The corporate tax is regressive and ultimately paid by consumers in higher prices for goods and services, lower wages for employees and lower returns for investors.*



— Minnesota's top corporate income tax rate is **9.8%** - the third highest in the nation.



**77%** have gross receipts less than **\$1 Million.**



## The Legislature must act

Minnesota is in the top-five of taxes states in the nation for both businesses and individuals. The Legislature should use federal tax reform and the budget surplus to get Minnesota out of the top five.



Businesses are already passing along federal tax savings to employees and customers. Legislators must seize the opportunity to use federal tax reform to enact pro-growth tax structure in Minnesota and much-needed taxpayer relief by:

- **Lowering tax rates**
- **Adopting full conformity with Section 179 business expensing provisions**



400 Robert Street North, Suite 1500, St. Paul, MN 55101  
800.821.2230 • 651.292.4650  
[www.unitedforjobsmn.com](http://www.unitedforjobsmn.com)