LEAGUE of MINNESOTA CITIES

March 18, 2025

Chairs Gomez and Davids, and members of the House Taxes Committee:

The League of Minnesota Cities appreciates the opportunity to provide comments on HF 2274 on behalf of our 841 member cities. We appreciate this bill including provisions on local lodging tax, local government aid (LGA) forgiveness, and charitable organization property tax clarifications.

Local Lodging Tax

The League is supportive of article 5, sec. 1-2, which provides an important fix to the local lodging tax. Under current law, online travel companies are not paying lodging taxes to cities and counties with locally administered lodging taxes on the share of the revenue they retain from an individual booking. This creates an inequity between cities and tax statutes themselves, since these online travel companies are paying sales tax on these purchases. Only a handful of cities have the state administer their local lodging tax, most notably St. Paul, Minneapolis, and Rochester. This proposal would provide that same tax treatment to the over 100 other cities that administer their lodging tax locally.

Institutions of Public Charity

The League supports the language in article 2, sec. 1 that requires charitable organizations to occupy and provide services from a property to receive an exemption on the property if it is used to provide rental housing.

LGA Penalty Forgiveness

The League appreciates the provision in article 2, sec. 24 that will allow the city of Stewart to receive their 2023 LGA. The League works closely with the Office of the State Auditor each year to identify and work with cities that have not complied with the financial reporting requirement.

Gross Receipts Tax on Amusement Devices

While the League is not concerned about exempting amusement devices from sales tax or the corresponding revenue reduction, there are concerns with the precedent that article 3, sec. 2-5 sets. Under current law Minnesota has the same sales tax base at the state and local level, which this proposal would functionally alter by exempting these devices from local sales taxes by only having them taxed by gross receipts.

Tax Increment Financing (TIF)

The League appreciates the inclusion of the local special TIF, but requests to remain open to further modifications to some of them in response to changes in local conditions since requested since last session. We would also encourage the committee to consider general TIF modernization including a permanent extension the 5-year rule to 10 years, and a change to the current blight test to say “50%” rather than “more than 50%.” These two changes would be of great assistance to cities under current development conditions and would drastically reduce the need for individual city TIF legislation going forward.

We look forward to working with you this session as you put together a tax proposal. Thank you for your time and attention on these important issues.

Sincerely,

Beth Johnston
Intergovernmental Relations Representative

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March 17, 2025

VIA EMAIL
House Taxes Committee
Minnesota Legislature

Re: COST Opposes Corporate Income Tax Disclosure (Sec. 4) of H.F. 2274

Dear Chair Davids, Vice Chair Joy, DFL Lead Gomez, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing to oppose the disclosure of corporate franchise tax information in Section 4 of H.F. 2274. The disclosure of taxpayer information provisions in Section 4 would place an unprecedented reporting requirement on corporations doing business in Minnesota with $250 million or more in aggregate gross sales in a taxable year, violating taxpayers' privacy rights and longstanding practices of fair tax administration.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members conduct operations in Minnesota that would be negatively impacted by this unwarranted disclosure legislation.

COST Supports Confidentiality of Taxpayer Information

The COST Board of Directors has adopted a formal policy statement in opposition to disclosure and publication of confidential taxpayer information.[1] The policy position states:

> *Taxpayers have a justifiable expectation of privacy. State departments of revenue audit business taxpayers on a regular basis to ensure that all relevant tax laws are appropriately enforced; releasing specific business tax returns or information from those returns to the public would serve no policy purpose.*

[1] See COST Policy Statement: https://cost.org/globalassets/cost/state-tax-resources-pdfpages/costpolicy-positions/confidentialityoftaxpayerinformation.pdf.

Disclosure of Corporate Taxpayer Information Serves No Public Policy Purpose

COST has consistently warned against violating taxpayer confidentiality under the guise of transparency. Rather than inform the public policy debate, H.F. 2274 could, through its sole focus on the income tax, mislead both legislators and the public into thinking that businesses do not pay substantial taxes, when in fact businesses pay substantial state and local taxes, especially in areas other than the corporate income tax.[2] The corporate income tax is the most volatile state revenue stream because of business cycles and intended tax code features. If the Legislature is concerned that certain classes of taxpayers are inappropriately taxed, it can and should ask the Department of Revenue for aggregate information that does not identify a specific taxpayer. Showing that a corporation did not pay any income tax for a given year – because of loss carryovers, current year profitability, tax credits, reinvestment, or some other reason – does not benefit the policy debate. In fact, it will likely harm the debate, as the reasons for a corporation's income tax liability will likely not be apparent or understood from the information disclosed. H.F. 2274 would make a corporation's tax information a matter of public record; however, it would not raise additional revenue and would facilitate the harassment of individual corporations.

No other state requires detailed public disclosure of confidential taxpayer information. While this bill excludes the disclosure of federal income tax information (as required by Internal Revenue Code § 6103) the corporate income calculation form, Form M4I, is based on federal tax information and that information carries over to other tax forms. This bill will also serve to discourage corporations from making investments in the State (infrastructure and jobs). It should be noted that disclosures such as those required by H.F. 2274 would make sensitive information available for use by taxpayers' competitors, including competitors not subject to the State's tax system.

Conclusion

For these reasons, COST respectfully urges this Committee to reject Section 4 of H.F. 2274.

Sincerely,

Fred Nicely

cc: COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director

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[2] COST, in conjunction with EY, annually publishes a "Total State and Local Business Taxes Burden Study," available at: www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/ey-50-state-tax-burden-study-fy22.pdf. Of note, corporations paid $2.9 billion in corporate income taxes in Minnesota for fiscal year 2022, but also paid $5.5 billion in property taxes and $3.6 billion in sales taxes (includes only business-to-business transactions), and $18.3 billion in total state and local business taxes.

MOMA
Minnesota Operators of Music and Amusements

May 9, 2024

Dear Taxes Conference Committee Member:

I am writing on behalf of the Minnesota Operators of Music and Amusements (MOMA), which is an association of dozens of family-owned small businesses throughout the state who own and operate amusement devices, video games, pool tables and darts in bars and restaurants in Minnesota. Our industry strongly supports Article 4 of the House Taxes Omnibus Bill, which provides for the establishment of an amusement device gross receipts tax in Section 2. This provision will provide our industry with much needed local sales tax relief.

With every increase in local sales taxes certain industries are hit harder than others due to the inability to easily collect sales taxes from their customers. This is especially true with coin-operated businesses such as the arcade and video game industry here in Minnesota. These small Minnesota business owners operate all over the state working with bars and restaurants to provide amusement devices to their customers. Revenues are split between the restaurants/bars and the amusement game operators, so the local sales tax relief provided in the House Taxes Omnibus Bill will also provide benefits to local restaurants and bars. Coin-operated businesses are at a distinct disadvantage because they cannot simply pass sales taxes on to their customers.

Other states have recognized this unfairness and have considered changes specifically with regard to coin-operated devices as well as vending machine sales taxes including South Dakota, Texas and Kansas. The House provision is very narrowly tailored to only address local sales taxes imposed specifically on coin-operated amusement devices. This provision is modeled on a bill from South Dakota that created an amusement device tax.

An "amusement device" does not include vending machines, lottery devices or any type of gaming devices. In essence, the business owners would pay the exact same state sales tax rate, but they would be excluded from paying local sales taxes under this proposal. The gross receipts tax of 6.875% would be the same as the current state sales tax.

We would very much appreciate your support of the House provision providing this sales tax relief to our industry. I appreciate your willingness to consider the concerns of MOMA and others involved in our industry. If I can answer any questions, please do not hesitate to contact me.

Very truly yours,

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March 17, 2025

Chair Gomez, Chair Davids, and Members of the House Taxes Committee:

Thank you for the opportunity to submit written testimony on HF 2274, provisions included in the redrafted 2024 House tax bill. MNR's comments today are consistent with the comments we submitted last Session on the 2024 House tax bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals statewide.

Article 5, Sections 1-2
MNR would like to share our opposition to authorizing local lodging taxes to be imposed on the services provided by "accommodation intermediaries," defined in Minn. Stat. 297A.61, Subd. 47 as *"…any person or entity, other than an accommodations provider, that facilitates the sale of lodging.*" This provision further defines the term "*facilitates the sale*" to include "…*brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.*"

MNR has members working in all aspects of housing, from representing buyers and sellers in the purchase of a home, to brokering the sale of lodging at vacation or short-term rentals.

MNR does not support expanding the reach of local lodging taxes to the services provided by travel intermediaries, whether they are online travel companies or local individuals working with a few vacation rental property owners.

Article 6, Sections 2-6
A Federal Reserve Bank of Chicago article from November 2023 titled, *Land Value Taxes-What They Are and Where They Come From*, concluded, "*Economists have long suggested that land value taxation is more efficient and potentially better able to encourage economic development. However, examples of U.S. communities adopting land value taxation have been relatively scarce. In part, this may reflect the difficulty of identifying the magnitude of the impact of such a tax policy change*.

MNR respectfully requests that prior to considering legislation creating land-value taxation districts there be more analysis and discussion of the scope and impact of this policy on property owners, particularly how property tax burden would be shifted from some classes of property onto others, including residential homesteads.

Thank you again for the opportunity to provide written testimony on HF 2274, provisions included in the redrafted 2024 House tax bill.

Sincerely,

Paul Eger

Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®

Chair Gomez, Chair Davids, and members of the House Committee on Taxes

Thank you for the opportunity to provide written feedback on HF2274 (Gomez), which contains many of the provisions from the 2024 House omnibus tax bill, on behalf of the Minnesota Inter-County Association (MICA) and the Association of Minnesota Counties.

Institutions of public charity: We support the language in Article 2, Section 1 which would clarify state law and policy regarding the taxation of residential properties owned and leased by institutions following the *Alliance Housing v. Hennepin County* decision last year from the state Supreme Court. The Department of Revenue issued guidance to county assessors last summer which made it clear that as a result of this decision beginning with assessment year 2025 low income housing tenants would have to pay property taxes for the first time and lose their renters credit as a result. This language would not only prevent those two issues occurring, it would also prevent the property tax shift onto homeowners that would otherwise occur as well.

The state-determined property tax classification system has long been intentional in addressing preferential taxation for low-income rental housing through the class 4d program, which has the low 0.25% classification rate beginning with taxes payable in 2025. Adopting the language in Article 2, Section 1, is needed this session to best support property tax base administration and stability going forward.

Local Homeless Prevention Aid, Sunset Repeal: We support the language in Article 2, Sections 23 & 27 which would repeal the sunset on local homelessness prevention aid. This aid was established in 2021 as a six-year pilot, with initial aid distributions beginning in 2023, and is already being used by counties to improve housing stability for families and help keep kids in school. In Anoka County in 2024 these funds were used for a five person housing staff team that operated a Housing help desk, emergency hotel shelter program, direct assistance to remedy housing crises, child foster care development, and reconnected homeless youth with schools while providing housing support services.

Stearns County used these funds to form a relationship with St. Cloud School District 742 to help families experiencing homelessness and families at risk of homelessness. The Stearns County outreach social workers meet weekly with ISD 742 to review referrals and coordinate services for families. Stearns County has also started forming relationships with the rural school districts and is growing those relationships in the coming year.

In rural counties, such as Mower County, the aid has been used to partner with schools to try to limit youth homelessness by identifying visibly stressed families and keep them from losing housing in the first place. In one case, the aid helped the Mower County Sheriff's Office and Social Services Department identify a family who had been staying in a car in commercial retailer's parking lot secure stable housing—in short, providing rapid, flexible response to meet individuals and families where they're at.

Homelessness presents itself differently in each of Minnesota's 87 counties, but make no mistake about it, it is present and this aid helps address a need.

Gross Receipts Tax on Amusement Devices: We do not have concerns specifically about exempting amusement devices from sales taxes generally, but the precedent set by carving out local sales taxes specifically for these devices as Article 3, Sections 2-5 do creates issues moving forward. Other states that have separate sales tax bases between state and local governments have run into significant administrative issues. Additionally, these local sales taxes are dedicated to specific projects, it is not a general fund revenue source for local governments like the sales tax is for the state. So when revenue gets exempted like this from local sales taxes specifically, it won't reduce the total amount of tax that gets collected to pay for the project. It just extends how long the tax will be in place, with other taxpayers picking up the difference.

We appreciate the chairs and the committee considering the unique issues facing counties and are eager to continue working with you as session moves forward.

Sincerely,

Nathan Jesson, Minnesota Inter-County Association

Matt Hilgart, Association of Minnesota Counties