



News Release

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Tax Updates Will Boost Competitiveness of Minnesota and Its Businesses

Innovation Holds the Key to Growth in the 21st century – and Beyond

Saint Paul – Minnesota must modernize its approach to taxing business to drive innovation and investments in the state and its companies, according to a new report from the Governor’s 21st Century Tax Reform Commission.

Gov. Tim Pawlenty established the commission to consider how Minnesota could improve its tax code for state businesses and encourage economic growth in a fast-changing, highly competitive and increasingly global economy.

In its report, “Minnesota’s Millennium: Launching a New Generation of Competitive Leadership and Economic Growth,” the Commission urges policymakers to lower business taxes, simplify the property tax system and promote investments in emerging and high-tech companies.

“Our proposals will provide a substantial return on investment for all Minnesotans,” said Mike Vekich, chair of the 15-member panel. “These recommendations would enable business of all sizes to unleash innovation and productivity to create and sustain a new generation of high-quality jobs throughout Minnesota – now and well into the future.”

Today’s economic challenges present an opportunity for meaningful tax reform. According to the report, long-term economic renewal requires expanded business investments and payrolls that put more Minnesotans to work in jobs that create economic security, stability and wealth.

“Minnesota boasts the foundation of a world-class education system, an industrious workforce recognized for its productivity and a base of business – large and small – that place innovation at the center of their culture,” Vekich said. “Bold, yet thoughtful, reform will encourage economic growth, generate new jobs and help create wealth for Minnesota workers, businesses and investors.

The Commission’s recommendations provide a blueprint for policymakers regarding job creation, building wealth and providing sufficient resources to maintain the quality of life all Minnesotans have come to expect.

“Only businesses and private investments can create the wealth necessary to drive growth across the private, government and nonprofit sectors and maintain that quality of life for all workers and their families,” Vekich added.



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Before formulating final recommendations, the Commission heard from a wide range of tax-policy experts, business groups and other stakeholders. Their suggestions, presentations and opinions were viewed against a backdrop of traditional tax principles, academic research and real-world experience.

In “Minnesota’s Millennium,” the Commission makes the following recommendations:

Reduce business tax burdens

- Repeal the state corporate income tax.
- Exempt 20% of active “pass-through” business income from taxation.
- Conform to federal tax write-off provisions for business-related assets.
- Replace the capital equipment sales tax refund with an upfront exemption.
- Extend the capital equipment exemption to businesses that produce services subject to sales tax.

Improve the transparency of business taxation

- Simplify the state property tax system.
- Require a biennial “benefits-received” report of Minnesota business taxation.

Promote investments in innovation, entrepreneurship and emerging/high-tech companies

- Overhaul the R&D Tax Credit.
- Enact the Small Business Investment Act.
- Enact an early-stage investment tax credit.
- Encourage low-income entrepreneurship and business creation loans.

Paying for reform

- Extend the sales tax base to a broader range of consumer products and consumer services.
- Increase the excise tax on cigarettes.

The full report is available at <http://www.taxes.state.mn.us/mntaxreform/index.shtml>.