



Taxes

Minnesota is not a low tax state. For too long our citizens, and businesses, have been saddled with regressive, job killing taxes. We need to reform our tax structure to reward job creation, not punish it. Taxes need to be based on consumption and not income. Most importantly state government needs to stop viewing its citizens as an ATM machine. Rather, it needs to allow its citizens to keep their hard earned money and more effectively utilize the revenue already coming in.

Minnesota ranks near top (highest) of nearly every major tax category. Minnesota ranks 8th in tax burden per capita and 5th in state income collections per capita. We have the 3rd highest corporate income tax rate and the 7th highest general sales tax rate in the country. Minnesota also has the 6th worst business tax climate among all states. To remain competitive in the future Minnesota needs to develop a more competitive tax structure.

On top of this our system has become more regressive for its own citizens. Over 40% of state revenues come from income taxes. The top 10% pay over half of all income taxes received. The top 1% pays 25% of the income taxes while earning just 15.6% of total income. Raising taxes on these folks will not solve deficits or make Minnesota more competitive. In fact, to recover the taxes paid by **just one household in the top 1%** Minnesota would have to attract nearly **500 households** with incomes ranging from \$53,000 to \$67,000. Since our tax structure is so unfriendly to business, however, it is unlikely enough jobs would be created to attract that many additional households.

Minnesota's tax structure is regressive. This is **not due**, however, to Minnesota's **income tax** levels. Rather this regressive structure is caused by all other taxes imposed by the State of Minnesota. According to the Minnesota Budget Association, there are 18 taxes of varying types in Minnesota, and 15 of them are considered regressive. These include the alcoholic beverages tax, the gas tax, motor vehicle sales tax, local sales taxes and cigarette taxes.

I support all measures to make our tax structure more progressive. As you can see from the above paragraphs raising income taxes on the wealthy will do little to accomplish this. Rather, we need to lower or eliminate several of the other taxes which nickel and dime middle class Minnesotans into paying more and more of their take home income to the state.

State government needs to rework our tax system to create new jobs as well as keep the jobs already here. Reducing income taxes is one step in this direction. This will encourage investment allowing business to hire new employees. These employees, in turn, will spend their money at Minnesota businesses. The end result is a constant flow of money in the private sector expanding our economy and making Minnesota a better place to work and do business.