



STATE SENATOR DAVID SENJEM

MINNESOTA SENATE DISTRICT 25

PROUDLY SERVING THE COMMUNITIES OF:

Dodge County - Olmsted County

E-NEWSLETTER

January 25, 2013

Dear Friends,

The focus this week at the Capitol is Governor Dayton's budget proposal. The Governor unveiled on Tuesday, his proposal includes significant tax increases and spending on his priority programs.

Governor Dayton's budget is \$37.9 billion in state spending for FY 2014-2015, compared to the \$35.9 billion current two year budget.



His new budget includes a tax increase of \$3.7 billion of new or expanded taxes on all Minnesotans. This is roughly a 7.6% increase in spending and 11.9% in increased taxes over the current FY 2012-13 to FY 2014-15.

Governor Dayton advocated for higher taxes and spending since and before he became Governor. With Democrats holding majorities in both the MN House and Senate, the Governor's proposals carry enormous weight and a high likelihood of tax and spend proposals will be enacted. My position has been that spending within the framework of existing tax rates should be adequate to fund state government, especially in a time when our economy is growing and new revenue is available.

Of prime concern to me is our small businesses that will see their income tax rate go from 7.85% to 9.85%. Also, I am extremely concerned with how certain provisions in the Governor's proposal related to foreign royalties and foreign operating corporations might negatively affect certain Rochester businesses, most notably IBM.

OVERVIEW OF THE GOVERNOR'S NEW TAX PROPOSAL

Significant Income Tax Changes:

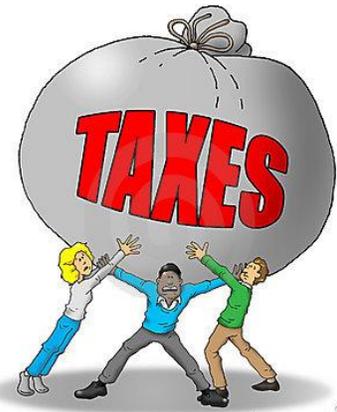
Creates top-tier income tax rate of 9.85%, which is a 25% increase over the previous top marginal rate. Governor Dayton's tax would apply to individuals with taxable income over \$150,000 and couples over \$250,000.

Extends Minnesota's income tax to Minnesota's snowbirds. Those persons would be subject to a pro-rata income tax based on the number of days they are present in the state.

Expansion Of New Taxes:

A \$2.1 billion of NEW sales taxes proposed on goods and consumer services (paid by the middle class). (decreases overall sales tax rate to 5.5% rate)

- Clothing over \$100 per item (snowsuits, jackets, etc.)
- Admissions and memberships (examples: health club, YMCA memberships)
- Over the counter drugs (Advil)
- Personal care services and instruction (haircuts)
- Legal accounting and auto services (HR Block to get taxes done, putting together a family will)
- Auto services (oil change)
- New business-to-business tax (at the new 5.5% rate) – such as legal, accounting, architecture, specialized design, computer, management consulting, advertising, employment, and business support services
- \$.94 per pack additional tax on cigarettes, total of \$370M raised
- Adds ¼ cent metro-wide sales transit tax to 7-county metro area to go towards buses and rail. (Doubles existing "CTIB – Counties Transit Improvement Board" Tax). This is approximately \$100M/year in metro area for transit.
- New taxes on online purchases ("Amazon" tax) and digital downloads



[MORE INFORMATION ON THE SALES TAX BROADENING CLICK HERE](#)

Governor's Spending Priorities with additional revenue

- All day Kindergarten for all students, additional \$52 per pupil on formula,
- \$159M for special education, and \$80M for state grant program
- \$500 property tax rebate for all homeowners
- 2-year freeze on business property taxes
- \$80 million increase in LGA (a nearly 20% increase)
- Reduces corporate business tax rate from 9.8% to 8.4%

COMMITTEE ACTION THIS WEEK

Tax Committee

The Tax Reform Division heard two bills on the complex topic of estate taxes. Estate taxes impact small business owners and family farms. While the 2011 legislature delivered some partial estate tax relief, the problem continues as the current Minnesota exemption is less than the current federal exemption.



Health and Human Services

SF 1 - The Health Insurance Marketplace (exchange) bill passed out of the Judiciary committee this week. GOP members still have significant concerns about the bill. Much of the discussion in the Judiciary Committee centered around the significant concerns with data privacy issues brought up by Republican members.

Judiciary

Two hot topics in the Judiciary area continue to be gun rights and safety, and data privacy. First, numerous bills have been introduced that address gun control or rights, and it remains to be seen what the Judiciary Committee will be taking up.

Second, there have been a great number of stories in the news about breaches of data privacy by government entities - whether it is law enforcement inappropriately looking up driver's license records, the DNR improperly accessing private citizens' records, or the public availability of people's email addresses or cell phone numbers if they sign up for a service such as snow emergency or school closing notifications

Education

While the Governor wants the overall state budget to increase by almost 8 percent, the funding for K-12 schools is recommended for an increase of about 2 percent. However, higher education spending would go up by nearly 10 percent with a substantial increase in financial aid for low-income students.

Transportation

This week, the Transportation Committee received overviews from numerous transit-related entities, including the Metropolitan Council, Counties Transit Improvement Board, Suburban Transit Association, and Greater Minnesota Transit.



State Departments and Veterans Division

This week, the State Departments and Veterans Division received overviews from the Secretary of State's office and Mn.IT, the state's information technology department. In total, the Governor's budget recommends that \$92.5 million in IT projects be financed over the next biennium.

The Environment and Energy Committee

Heard two days of testimony on the impact of potential climate change on the environment and ecosystems in Minnesota. Testifiers included Will Steger, Paul Douglas and a variety of administration representatives. On Thursday, the committee was briefed on a 2008 report of the Minnesota Climate Change Advisory Group that identified greenhouse gas sources and outlined a number of steps the state may have taken (4 years ago) to combat future climate change.



KEEP IN TOUCH

I will work to keep you informed, and please feel free to pass this newsletter on to your friends and neighbors, encouraging them subscribe at: sen.david.senjem@senate.mn You can also get legislative information at the Senate website at www.senate.mn. As always, I encourage you to contact me with your questions and comments. You can reach me at:

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