

State Representative Ann Lenczewski

509 State Office Building, 100 Rev. Dr. Martin Luther King, Jr. Blvd., St. Paul, MN 55155

rep.ann.lenczewski@house.mn

Phone: 651-296-4218

March 16, 2009

House Tax Chair Proposes Major Overhaul of Tax System

Summary of 2009 Income and Corporate Tax Reform Proposal

- Proposes the most significant income and corporate tax reform in over 20 years.
- Increases the progressivity of the tax system in a revenue neutral way.
- Eliminates dozens of business subsidies and tax expenditures that are ineffective, regressive or that we can no longer afford.
- Replaces tax subsidies that disproportionately benefit upper-income earners with income tax cuts that benefit everyone.
- Creates a new Families Know Best Credit, Mortgage Interest Credit, and Charitable Contribution Credit aimed at reducing the tax burden of middle and low income taxpayers.
- Lowers the income tax rates on the bottom two brackets (on income under \$130,000 for married joint filers).
- Adopts two proposals that will encourage both large and small business to invest in Minnesota: acceleration of single sales apportionment to 2009 and Section 179 expensing.
- Simplifies the tax system so that it is easier to understand, comply with, and administer.
- Provides a starting point for the discussion on revenue raisers; the proposal could easily be adjusted to raise or reduce revenue.

Individual Income Tax Reform

- Eliminates tax expenditures that are not working, are regressive, or that we can no longer afford.
- Reduces the bottom rate from 5.35% to 5.0% and reduces the middle rate from 7.05% to 7%, providing income tax relief for every Minnesotan.
- Restructures tax expenditures so that they provide an equal incentive to everyone who qualifies, thereby increasing progressivity.

Corporate Tax Reform

- Eliminates corporate loopholes and business subsidies that currently create winners and losers in Minnesota.
- Uses the revenue gained by elimination of subsidies to invest in policies that will help all businesses and spur economic growth and job creation:
 - Eliminates the jobs tax: accelerates single sales apportionment to the current year
 - Provides tax cuts for small businesses and farms through Section 179 expensing