

**STATEMENT TO THE GOVERNOR AND LEGISLATURE
AS THEY PREPARE FOR A SPECIAL SESSION**

- We prefer a temporary increase in the state sales tax, instead of the income tax increases which were proposed during the regular session. An increase in the income tax is more likely to do further harm to Minnesota's ability to compete with other states for economic growth.

- We favor a temporary increase—that is, one with an expiration date—to give the Legislature time to develop better long-term tax/expenditure policies, which could be adopted at the same time permanent changes in rates are made. Moreover, the impact on Minnesota's revenues of new federal tax laws and trends in the nation's economy should be understood better before rates are altered permanently.

- We are encouraged by the direction of levy limit changes which apparently were part of the legislative consensus as the regular session ended. Earlier we had opposed proposals that would have imposed stricter levy limits. We are particularly encouraged by a new provision which discontinues homestead and circuit-breaker relief payments if levies exceed a certain level. Such provisions place more incentives on local officials to control their own levies, thereby reducing the need for direct state control.

- We are opposed to provisions that would reduce assessed values of farms, homesteads, apartments and businesses. We have generally opposed such changes because they are designed to shift taxes indirectly to other taxpayers. In this case, so many changes are being made, simultaneously, that it is almost impossible to know who, if anyone, is benefitting. The only "loser" may be the state, because higher school aids must be paid when property values drop.

Instead of making such changes now, we believe the Legislature should first undertake a detailed study of projected impact, on all types of properties, in all locations. One approach could be for the Legislature to instruct the officials who are responsible for administration of the property tax to calculate what the tax would have been next year had the proposed reductions in assessed values actually been in effect. Then the Legislature would know, in advance, what the impact would be.

- We urge leaders in the House and Senate to undertake procedural steps to help prepare for the 1983 session, including assigning legislative committees to:

- Establish targets for overall spending in the 1983-85 biennium and beyond and to recommend how such targets can be achieved.

- Hold hearings on the appropriate mix of sales, income and property taxes and make recommendations for change as deemed desirable.

- Seek testimony from other legislators, lobbyists, and the general public on the process that is followed in arriving at consensus on a tax/spending package, including such matters as deadlines and what legitimately can be included in a conference committee report.

- We urge a more open process be followed in the preparation of revenue estimates for the 1983-85 budget than was followed this past year. Specifically, persons in the State Department of Finance who are responsible for preparing revenue estimates should share fully with staff members of the House and Senate the assumptions and procedures being followed, during the time that the revenue estimates are being prepared.

- We recognize that 1981 has been a most difficult year for the Governor and Legislature. It would seem that the Governor, Legislature and the public-at-large would benefit from more discussion about finding solutions than trying to fix blame for problems. **It is possible that the Governor and Legislature are over-estimating the political importance of concentrating on problems, while under-estimating the political value in searching for good solutions.**

This statement was prepared by the Tax and Finance Task Force of the Citizens League, which has been reviewing state budget-related issues since last fall. The task force previously issued four other statements on the budget. The statements are consistent with several reports of the Citizens League on tax and finance matters.