

# MSCA Legislative Update

June 21, 2023

# Budget Overview

- Legislative's primary focus pass biennial budget
- Started with surplus of \$17.5B (\$5.5 of which is ongoing)
- The budget is set for FY24-25 and FY26-27
- State Budget now includes inflation
- Historic Budget Targets between Governor, Senate, and House leadership was announced on March 21<sup>st</sup>. This is the earliest we have ever seen.
- 72B budget for FY24-25
- Budget increased roughly 38% over the FY22-23 budget of \$52B



# Taxes

## *Key investments:*

- Exempts all state taxes on social security benefits up to \$100,000 and phases out up to \$140,000
- One time rebate checks of \$520 for married filers making \$150,000 or less and \$260 for single filers making \$75,000 or less (based on 2021 taxes)
- Converts renter's refund to income tax credit
- Creates a childcare tax credit of \$1,750/child for incomes up to \$35,000 and phases out to incomes of \$96,250

## *Revenue raisers:*

- Conforms with the TCJA of 2017 regarding global intangible low-taxed income (GILTI)
- Phases out for standard/itemized deductions w/ AGI over \$1 million
- Establishes a net investment tax of 1% for dividends exceeding \$1M, excluding sales of 2a properties (ag. land)

## *Considered But Not included:*

- Fifth tier income tax
- Gov. Walz's capital gains tax
- Worldwide Combined Reporting



# Transportation and Transit

## *Key investments:*

- Invests \$600M in trunk highway bonds including Corridors of Commerce
- Phases in 100% dedication of auto parts sales tax revenue by 2033
- \$195M for Northern Lights Express
- \$50M for Blue Line extension
- Establishes statewide national Electric Vehicle Infrastructure program
- Provides up to \$1,500 rebate for electric bicycles
- Creates a Transit Rider Investment program
- Study to extend Northstar to St. Cloud

## *Revenue raisers:*

- $\frac{3}{4}$  cent metrowide sales tax
  - 83% for Public Transit - \$440 million a year, uses include operations and construction of rail and bus lines
  - 17% - seven county metro area for road maintenance and other uses
- Delivery fee of \$0.50 on every delivery over \$100
- Increases motor vehicle registration and sales tax
- Indexes gas tax to inflation



# New Major Initiatives

- Pair of Capital Investment Bills totaling \$2.6 billion – first bills since 2020
- ¼ cent Metro Housing sales tax
- Paid Family and Medical Leave
- Earned Safe and Sick Time
- Legalizing Cannabis
- Energy Benchmarking/Mandates
- Warehouse labor standards
- Other labor mandates (pay history, non-competes, captive audience)



# Bills signed into law in 2023 (Historic Levels)

- Federal Tax Conformity
- Inflation included in budget
- Unemployment insurance modifications for iron miners
- Crown act
- PRO Act (Roe V. Wade Abortion Protections)
- Recognizing Juneteenth
- Federal Infrastructure Investment and Jobs Act funding provided
- 2040 Clean Energy standards
- Funding AG needs for enhanced criminal cases
- 2022 Lands bill
- Food shelf programs funding
- Restoring the right to vote for some past felons
- Drivers License for All
- Catalytic converter enhanced penalties
- Minnesota Indian Family Preservation Act modifications
- Physical education standards review delayed
- Free school lunch and breakfast provided for students, and money appropriated
- Family homeless prevention and assistance program funding provided
- Unwinding of public health emergency
- Disaster assistance contingency account money transferred
- Free college tuition
- Transgender refuge
- Bans conversion therapy
- Firearm regulation and limits no-knock search warrants
- Ballot initiative to extend lottery proceeds for ENRTF



# Tourism Improvement Districts

- Municipalities, upon petition by impacted business owners, may by ordinance establish tourism improvement districts (“TID”)
- Ordinance must identify district boundaries, name the governing association, list the activities and improvements in the TID, identify the time and manner for collecting service charges, define the types or classes of businesses to be included in the TID and subject to the service charge, and the number of years the service charge will be in effect
- If the boundaries of a proposed TID overlap with the boundaries of an existing special service district, the ordinance may list measures to avoid any impediments on the ability of the special service district to continue to provide its services to benefit its property owners
- Once established municipalities may impose a service charge to businesses that directly or indirectly benefit improvements
- Tourism Improvement Associations
  - are composed by majority of business owners paying the fee, manage the funds raised by the TID, and have full discretion to select the specific activities and improvements funded with the service charges
  - May be a new or existing entity



# Public Safety Aid

- \$300 million One-Time Money (30% counties and tribal governments, 70% cities based on population)
- \$19 million for Minneapolis, \$14 million for Hennepin County
- Eligible Uses – provide public safety, including community violence prevention and intervention programs; community engagement; mental health crisis responses; victim services; training programs; first responder wellness; equipment related to fire, rescue, and emergency services; or to pay other personnel or equipment costs.
- Ineligible Uses
  - any costs associated with alleged wrongdoing or misconduct
  - purchase of an armored or tactical vehicle or substantially similar vehicle
  - purchase of tear gas, chemical munitions, or substantially similar items
  - costs of construction, reconstruction, remodeling, expansion, or improvement of a police station or related facilities
- Aid must be paid by December 26, 2023





# Unfinished Issues

- Sports betting
  - Ranked choice voting
  - Uber/Lyft fee (vetoed)
  - Keeping nurses at the bedside
  - Equal rights amendment
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- The legislature adjourned May 22, 2023 and will reconvene Monday, February 12, 2024

