RECOMMENDATIONS

In Minnesota, we must turn to those who are still doing well and have them contribute to addressing this education crisis. The state should raise taxes on those who can afford to pay more, such as large corporations and the wealthiest Minnesotans.

In order to restore funding for the Basic General Education, Extended Time, Compensatory, and English Learner programs to their 2003 levels, the state of Minnesota should:

1) **Raise taxes on the 1%.** The top one percent in Minnesota have an average annual income of about $1.8 million.[88] In 1977, the wealthiest Minnesotans paid an 18 percent state income tax rate. This was gradually lowered to 7.85 percent, and then in 2013 the state legislature passed Governor Dayton's tax plan and increased it to 9.5 percent.[89] This should be raised again.

2) **Tax capital gains at a higher rate than income from work.** Capital gains are profits from the sale of assets such as stocks, bonds, real estate, and antiques. Minnesota currently taxes capital gains at the same tax rates as income. Nationally, close to 84 percent of taxable gains went to those with annual incomes over $200,000, even though they account for just 2 percent of all returns filed. The wealthiest 0.1 percent of Americans – those with annual incomes over $2 million – receive more than half, 54 percent, of all capital gains income.[90]

3) **Increase the corporate income tax rate.** Many of Minnesota's corporate titans have seen staggering profits this year. Corporations in Minnesota currently pay a 9.8 percent state income tax rate. However, in the past this has been as high as 12 percent and even higher, 13.6 percent, for banks. The current rate should be raised.

4) **Institute a "mansion" tax on high value housing or allow counties to institute their own.** Current ly, the state of Minnesota only allows two different tax rates on residential property – one rate for the first $500,000 in market value and another rate for property value above $500,000. The state also sets the difference between these two rates. Cities and counties are not able to change this property tax structure. The state should create a third class rate for residential property – over $1 million, or if the state does not want to do that, they should grant local cities and counties the right to revise their property tax structure to include this.

5) **Lower the estate tax exemption. The estate tax is paid after someone dies.** The first $1 million of someone's estate was exempted from the tax until 2014 when the exemption was raised to $2 million. In 2020, the exemption was raised to $3 million. The exemption should be set back to $1 million.

[88] National and State-by-State Estimates of Joe Biden's Revenue-Raising Proposals," Institute on Taxation and Economic Policy, October 7, 2020
[89] "A State that Works – Again," Minnesota 2020, Jeff Van Wychen, October 23, 2013
[90] "State Taxation of Capital Gains: The Folly of Tax Cuts & Case for Proactive Reforms," Institute on Taxation and Economic Policy Sept 25, 2020