

Undo all B2B taxes in the Unsession

By David C. Olson

Gov. Mark Dayton has coined the 2014 Legislature as the Unsession, saying he'll concentrate on ideas to make state government better, faster and simpler. He's asking Minnesotans to submit ideas to eliminate unnecessary or redundant laws, rules and regulations, and getting rid of anything else that makes state government nearly impossible for people to understand.

We respectfully ask that repeal of the sales tax on business-to-business (B2B) services leads the agenda. Businesses should contact the governor and their lawmakers, and ask them to commit now to eliminating all three B2B taxes in the first week of the Legislature, which will convene Feb. 25.

In May, the Legislature extended the sales tax to three B2B services: repairs of business equipment and machines, including farm machinery; purchases of telecommunications equipment by telecommunications providers; warehouse and storage services. The first two taxes went into effect July 1; the warehouse tax is scheduled to take effect April 1, 2014.

At minimum, B2B taxes create an administrative nightmare and expense for many businesses. At worst, the additional tax burden places Minnesota businesses at a competitive disadvantage with their peers across the nation and world. That's especially true in the warehouse and storage industry, which already operates at slim margins and is very mobile by its nature. The additional cost is prompting many warehouse managers to talk about moving elsewhere. Together, these taxes take a toll on jobs and the state's economy.

The Minnesota Chamber of Commerce and our statewide network of local chamber partners pressed hard for all three B2B taxes to be repealed during the special session in September. Though the governor expressed support for repealing the sales tax on farm equipment repairs, in the end the decision was made to only consider disaster relief. The decision is especially disappointing because DFL leaders acknowledged the taxes were a bad idea.

Dayton says repeal of the new [B2B](#) taxes should be considered when the Legislature convenes next year. Businesses cannot make decisions based on a promise of what might be done. We're asking that legislators pledge now to repeal all three B2B taxes. Eliminating the tax on farm repairs is a good start, but it doesn't go far enough. The repeal should also occur for the thousands of other businesses negatively impacted by these new fixed costs.

Dayton demands that the business community show how the state treasury will make up for the lost revenue, if these taxes are scrapped. We put the challenge back in his lap. Policy-makers have options.

There is a current budget surplus plus there's plenty of opportunity to find \$310 million of spending efficiencies in a \$38 billion budget. Early in the 2013 Legislature, we identified more than \$1 billion in spending reductions and forwarded those to the Dayton Administration and legislative leadership. Let's revisit those suggestions. The new budget increased spending by \$1.6 billion, a sizable portion that has not yet taken effect. There's similar opportunity to scrutinize and pare these expenses.

We're confident that Minnesotans can step to the plate and help state agencies find ways to streamline operations and still deliver necessary services. We're ready to answer the governor's call; it's an excellent starting point to lay out an agenda for the Unsession.

David Olson is president of the Minnesota Chamber of Commerce – www.mnchamber.com.