



## Minnesota business taxes, climate: not so bad

By Matt Kane | Friday, Jan. 23, 2009

Gov. Tim Pawlenty in his 2009 State of the State address called for reduced corporate-income taxes as a way to help Minnesota recover from the national economic crisis. According to the governor, Minnesota's business taxes are out of line.

For the high tax claim, Pawlenty hangs his hat on a short [Tax Foundation write-up](#) that adds U.S. and corporate-income tax rates together and compares the rates to those of foreign nations. While this has set off alarm bells in the Pawlenty administration, it's not a very useful exercise because corporate income-tax rates are but a one part of the total picture for business taxes.

The range of taxes on business certainly includes the corporate income tax — for corporations, anyway — but also includes property taxes, sales taxes, individual income taxes for small businesses, license fees, workers-compensation taxes and unemployment insurance charges.



### State deemed competitive

Minnesota is competitive when it comes to business costs and taxes, says the website for [Minnesota's Department of Employment and Economic Development](#). As noted there, a 2004 study by the Federal Reserve Bank of Boston ranked Minnesota 41st for taxes as a share of business profits.

And the private-sector consulting firm Anderson Economic Group (AEG), in its [latest annual report](#), (PDF) identified Minnesota as the fourth *lowest* state for business tax burden using a broad range of business taxes measured against profits earned in the state. Clearly Minnesota's rank would change if other measures of taxes or business earnings were applied, but the AEG report demonstrates the difficulties with blanket statements about high business taxes in the state.

For businesses, of course, it's more than just taxes that shape the environment. Forbes Magazine recognizes as much in its annual [ratings of the best states for business](#).

Of the 50 states, Minnesota ranks 11th. Not bad.

**Smart public investments**

Over the years, Minnesota has been a great place to do business in part because of ample but smart public investments in quality education, transportation and other infrastructure, and quality of life concerns, such as health and the environment.

Corporate income taxes may be an issue — or maybe not, given a total accounting for all of the state's business taxes. Either way, corporate income tax cuts do not jump out as a key issue for the state to tackle in the midst of a sagging national economy and a massive budget deficit.

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