

Editorial: Gov should let tax bill become law

If veto he must, Pawlenty should call special session.

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Depending on one's view of what constitutes honesty in state fiscal forecasting, the omnibus tax bill that officially arrived on Gov. Tim Pawlenty's desk Tuesday is seen at the Capitol as either a thing of beauty, or fatally flawed.

But even those who hate the bill's insistence that Minnesota get real, and admit that prices rise as time flies, have nice things to say about the rest of this endangered bill. On May 22, when Pawlenty said the bill was "headed towards a veto," he also said, "The bill contains many good and positive provisions."

Indeed it does. It's such a solid piece of lawmaking workmanship that if Pawlenty vetoes it -- and we urge him not to -- he should feel obliged to help rebuild the bulk of it as soon as possible, by calling a special session.

This bill isn't a tax-increase bill. If it were, it would not have received 10 Republican votes in the Senate. Rather, it's a tax-exchange bill, raising a modest sum by closing an unintended corporate tax loophole, and using that money to pay for property tax relief and a break to Minnesota-based corporations. These are among the bill's admirable features:

- A \$33 million per year increase and a handsome restructuring of the refund program of direct help to low- and middle-income homeowners whose property tax bills are disproportionately high, compared with their incomes. The maximum refund would grow from \$1,450 to \$1,810 for those with the lowest incomes.
- A city aid boost of \$70 million per year, plus a \$5 million one-time kicker in 2009, enough to slow the climb in city property taxes. For example, said St. Cloud Mayor Dave Kleis, the \$1.4 million slated for St. Cloud would allow the planned hiring of six additional police officers and three firefighters this year to go forward without adding to property tax burdens.
- A new definition of foreign operating corporations, eliminating the opportunity for multinational businesses to assign Minnesota-derived income to foreign operations to dodge state taxes. DFLers sought this \$125 million annual change and Republicans fought it for four years; this year, to his credit, Pawlenty consented and even defended the change as consistent with federal definitions.
- An accelerated phase-in of a new corporate tax formula based only on sales in the state, not payroll and property. That move will provide a \$33 million annual tax break for Minnesota-based corporations.

There's a good deal more -- not least of which is \$39 million in guarantees for the local

fundraising required for the 2008 Republican National Convention in the Twin Cities. It's too much to sacrifice, just to be able to continue to hide the real future cost of government services from the public. Inflation belongs in state forecasts, and this bill belongs in the statute books, this year.

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