



Wednesday, January 30th, 2019

Dear Members of the House Labor Committee,

On behalf of Americans for Prosperity activists across Minnesota, I am writing today to urge you to vote “No” on HF5 when it comes before the committee. HF5 would create a new entitlement program funded by a payroll tax on all employees and employers across the state. The bill would in effect lead to a 12% tax hike on the lowest income tax bracket, the very people who can least afford it. AFP-MN believes the free-market – not government mandate – is the best solution for creating compensation and benefit packages that meet the needs of both employers and employees.

Punishing businesses and their employees with new taxes is bad enough, but even worse policy. Every employer and every worker at all income levels will be forced to pay this tax, which supports a benefit for only a small percentage of the state’s workforce. Yet, over time, entitlement programs inevitably expand, and this program will be no different, requiring even more taxes that disproportionately hurt those who can least afford it.

As bad as a 12% tax increase would be for employees and families in the lowest bracket, that is, unfortunately, the smallest this tax increase could be. Language in the bill would allow the payroll tax to automatically increase with little to no accountability as more spending is deemed necessary by unelected bureaucrats in charge of the program.

Though HF5 as introduced and as voted on today includes only placeholders for specific tax rates, a recent [Star Tribune article](#) referenced “a 0.31 percent payroll tax on both employers and employees”. However, research shows that employees will effectively end up paying both their own and the employer’s share, as the non-partisan [Tax Foundation has laid out](#). A .62% payroll tax increase on employees in the bottom tax bracket (with an income tax rate of 5.35%) would result in an overall 11.58% increase to an employee’s tax burden.

Given the state’s terrible record in effectively administering new taxpayer-funded entitlements (MnSure), developing new IT/management systems (MNLARS), or providing adequate oversight for eligibility for existing government programs (Medicaid waste, fraud, and abuse), legislators should protect taxpayers, employers, and employees and their families by opposing this unworkable bill.

In today’s ultra-competitive employment environment, businesses and their employees should be free to design compensation packages that work best for their company and their families, not big government.

Sincerely,

Jason Flohrs
State Director
Americans for Prosperity - Minnesota

Americans for Prosperity (AFP) exists to recruit, educate, and mobilize citizens in support of the policies and goals of a free society at the local, state, and federal level, helping every American live their dream – especially the least fortunate. AFP has more than 3.2 million activists across the nation, a local infrastructure that includes 36 state chapters, and has received financial support from more than 100,000 Americans in all 50 states. For more information, visit www.AmericansForProsperity.org.