

Special Session May be Decided Tomorrow

Summer is nearly over, but conversations between leaders about a Special Session have continued.

House DFL members were recently told a special session would occur the week of August 15, but no details were released.

Leaders will meet with Governor Mark Dayton, who said it will be a "telling moment" that may finally disclose if there is enough of a consensus to proceed or not. It appears everyone is waiting to hear the outcome of tomorrow's meeting.

The Issues

If a special session is called, it's all about four issues: Taxes, transportation, the sale of bonds for capital expenditures, and the demands of Governor Mark Dayton, which he says must be met before he will call a special session.

Dayton's Demands

Some time ago, the governor shared the following "partial" list of his demands. They include:

- \$66.7 million in bonding for a University of Minnesota Health Sciences education facility.
- \$63 million in additional operating support for the Minnesota State Colleges and Universities (MnSCU) system.
- \$34 million in borrowing for design and construction costs of a new Fort Snelling Visitor Center.
- \$28 million in bonding for building maintenance across the MnSCU system.
- \$22.3 million in Fiscal Year 2017 for additional staffing at the Minnesota Security Hospital in St. Peter.
- \$76.6 million in the 2018-2019 biennium for staffing at the Minnesota Security Hospital in St. Peter.

These demands would increase bonding by \$128.7 million and spending by \$161.9 million. If agreed to, where would the funding come from? The \$56 million in business property tax cuts together with the \$30 million for projects creating jobs in high poverty areas look vulnerable.

Dayton Drops Spending Demands

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At a July 15 press conference, Dayton said he's given up on most of his spending requests. However, an exception is that the bonding bill include funds for the Minnesota Security Hospital.

Light Rail

Building a light rail line from downtown Minneapolis to the southwestern suburbs is one of the most controversial issues and it still is the deal maker or deal breaker. While Dayton strongly supports it, House Speaker Kurt Daudt, R-Crown, has said "there is not one vote in his caucus" for this rail system. House Republicans also oppose some other funding for Metro Transit.

Tax Bill

The tax bill (House File (HF) 848), which passed the Legislature, but received a pocket veto by the governor, is very popular and would give incumbent legislators plenty of items to run on in this year's elections. Many legislators of both parties want this bill to be passed. Dayton has been using it as leverage to get what he wants. So far everyone is a loser, especially Minnesota citizens.

Included in the bill are new tax credits for low income people and college graduates carrying loan debt. HF 848 also has a property tax exemption for a proposed soccer stadium in St. Paul and breaks to lure a wood siding manufacturer to the Iron Range. It includes \$56 million in property tax cuts for businesses and \$40 million for owners of agricultural land.

ICBM Supported Provisions in HF 848

HF 848 included three of ICBM's top priorities for the 2016 Legislative Session: Reducing the state general property tax; amending the "domicile test;" and establishing a New Market Tax Program (NMTP). A special session would likely result in all three of those provisions being passed into law if HF H48 passes as is.

State General Property Tax

HF 848 would reduce the state property tax on businesses by an estimated \$56.4 million. Collections of this tax by the state would go from \$819.1 million to \$763.7 million 2017.

House research staff estimate the reduction would amount to a \$730 reduction in property tax for each C/I property parcel over \$100,000 in market value. A business with property valued at \$100,000 would likely have a 25 to 30 percent reduction in the total property tax paid.

"Domicile Test"

Another change supported by ICBM in HF 848 is a modification of what's called the "domicile test." When the Minnesota Department of Revenue is considering where an individual intends to live and if they owe state income taxes, the change in the bill states that the Department of Revenue or state courts cannot consider the location of the following:

- The place of business of a financial institution where the individual opened or maintains an account.

- The individual's attorney, certified public accountant, or financial adviser.

This change would allow people from out of state, or customers who move out of state, to maintain and create accounts with Minnesota banks without those actions being viewed by Department of Revenue as indications those people owe state income taxes. Today, people in this position, who know about how the Department of Revenue uses this information, are justifiably hesitant to keep or open accounts with a bank they may have partnered with for decades.

New Market Grant Program (NMGP)

Finally, the third ICBM-supported provision in HF 848 is one which creates the New Market Grant Program (NMGP). If passed as is, \$30 million would be made available in grants to investors as an incentive to choose areas of the state with high poverty rates for development projects. According to the last census, every Minnesota county has such areas. These grants do not fully fund projects. Private investments, loans, or grants from a community development identity would be combined with bank loans for a project.

Watch for news about the meeting tomorrow with Governor Dayton and caucus leaders. Many may have the opinion it's time to fish or cut bait.

Legislative questions? Contact David Skilbred, ICBM Vice President of Government Relations, at dskilbred@icbm.org or 651-789-3983.

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