



## Talking Points

*For use by school leaders in papers or presentations  
about important issues related to public education*

# **To Tax or Not to Tax** *That Is the Question*

**Key Message:** Decisions about increasing, decreasing, maintaining or redistributing taxes will likely play a major role in the Minnesota we create for ourselves and our futures.

Minnesotans hear all kinds of messages about government and taxes: “Government is out of control,” “We can’t sustain this kind of spending,” “Taxes just keep going up,” or “We are spending beyond our means.” These and many other statements may or not be true according to one’s perspective. But what is true, regardless of perspective, is that the decisions we make about our resources, or our *means* as a state, will influence the future of Minnesota.

The taxation issue is so complex that even experts disagree about what the data means and how we should respond to it. The issue is also an emotional and ideological one. For Minnesotans to make or support good economic decisions requires that, at the very least, we share some basic information.

- Minnesota’s individual income tax rate is 7.85%. (Jack Gordon, “Are the Taxes Always Greener?” *Twin Cities Business*, October 2011)
- The total tax burden for all federal, state and local taxes has dropped to 23.6% of income. (Bureau of Economic Analysis)
- Americans are paying the smallest share of their income for taxes than at any time since 1958. (*USA Today*, May 6, 2011)
- The corporate tax rate in Minnesota is 9.8 percent. (“CNBC Special Report,” *America’s Top States for Business 2011*)
- The cost of doing business in Minnesota is 23<sup>rd</sup> in the nation. (“CNBC Special Report,” *America’s Top States for Business 2011*)
- Government spending is slightly below last year as a share of the economy.
- Since 1990, incomes have grown; tax payments haven’t, when adjusted for inflation.

Knowing how that information can or will impact us is another thing and, again, a topic laden with emotion and ideology. Many of the arguments made about resources and resource distribution are just best guesses either transplanting past experiences into current circumstances or using economic models that have never been tried in the state, national or global climate of 2012.

Let's face it. Most of us want to pay lower taxes. We also want world-class health care, schools, roads, and police and fire protection, not to mention a clean environment, the strongest military in the world and a great business climate. We have a lot of contradictory feelings about the economy. For example, we want the private sector to hire and the government to fire. High private sector salaries are okay, but public sector salaries should be low – even though we ultimately pay them both. We want our teachers to be the best, but we don't want to give them the status or training the best receive. We get mad when a school administrator makes \$100,000, but not when a coach at a public institution makes \$2 or \$3 million. We say we care deeply for our children, but the U.S. ranks 23<sup>rd</sup> out of the 24 wealthiest nations by UNICEF in the category of our children's material well-being. Poverty is the single greatest factor limiting student achievement, yet we allow 20% of our children to live in poverty. We have accepted that lower taxes for the wealthy will create more jobs, even though recent history has shown otherwise. It has been estimated that if the tax rates were the same as in the 1970s, 1980s and 1990s, we would have had \$500 billion of extra taxes or one-third of the \$2.5 trillion federal deficit last year.

To a significant degree, the choices we make shape the circumstances in which we live. As we continue to examine information and make decisions, let's ask ourselves, "How has that worked for us in the past, and how will it work for us in the future?" Let your values be clear and your voice be heard.

"If low tax rates were the determiner, Mississippi and Alabama would be far ahead of Minnesota [in business activity]. And if high taxes were a determiner, New York City would be dead." – David Schultz, Professor Hamline University School of Business and specialist in economic development.

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