ARNE H. CARLSON GOVERNOR

STATE OF MINNESOTA

OFFICE OF THE GOVERNOR 130 STATE CAPITOL SAINT PAUL 55155

May 19, 1993

The Honorable Dee Long Speaker of the House Minnesota House of Representatives 463 State Office Building Saint Paul, Minnesota 55155

Dear Speaker Long:

I have vetoed and am returning Chapter 262, House File 443/Senate File 607.

My message has been clear and unwavering throughout this biennial process. I will not accept a tax increase on the already overburdened taxpayers in Minnesota. It is my contention that our projected 10.4 percent increase in revenue for this budget period is adequate to fund the growth of state government.

The personal income tax increase in this bill is particularly troublesome for the following reasons. First, I do not believe that this increase is limited to the top 1.7 percent of Minnesotans. The spending commitments exercised in this legislation will be built into the base of the FY96 and FY97 base. The impact two years from now is that this tax increase will then be extended down to the next level of taxpayers to meet this future obligation. This spiral will continue with additional unchecked spending.

Second, it has been asserted that this segment of taxpayers have reaped the benefits of federal tax law changes. However, changes enacted in Minnesota have resulted in significant income tax increases for taxpayers with incomes over \$100,000. The 1987 income tax reforms increased their annual taxes by an estimated \$57 million; tax law changes in 1991 and 1992 further increased their taxes by a total of almost \$50 million a year.

Third, Minnesota's personal income tax is the fifth highest in the nation. Our current top marginal rate of 8.5 percent is tenth highest in the nation. An increase in rate to 10 percent would raise our rank to fourth in the nation (tied with Hawaii). Obviously, our high tax ranking impedes our business competitiveness. In turn, this hurts our ability to maintain and create jobs which I will not tolerate.

The Honorable Dee Long Veto Message Chapter 262 May 19, 1993 Page Two of Two

The educational spending items in this bill are acceptable and conceptually in concert with the prioritization of our children in my budget. I hope we can work together toward true education reform in the next regular legislative session. Our children deserve better than the treatment afforded to them in this political piece of legislation.

Warmest regards,

ARNE H. CARLSON

Governor

cc: Senator Allan Spear, President of the Senate

Senator Roger Moe, Majority Leader Senator Dean Johnson, Minority Leader

Representative Steve Sviggum, Minority Leader

Representative Edgar Olson Senator Lawrence Pogemiller

Mr. Patrick E. Flahaven, Secretary of the Senate

Mr. Edward A. Burdick, Chief Clerk of the House

Ms. Joan Anderson Growe, Secretary of State