

Editorial: GOP majorities should deal on taxes

With majority status comes a duty to compromise.

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It's compromise time at the State Capitol -- but on Monday, it appeared that only Gov. Mark Dayton was checking the calendar. With one week remaining in the Legislature's regular session, DFLer Dayton took a big step in the Republican-controlled Legislature's direction, shrinking his proposed tax increases in 2012-13 from \$3.3 billion to \$1.8 billion.

His move puts the size of his proposed budget in line with the Editorial Board's [April 24 recommendation](#) and in sync with the views of Minnesotans, as measured by the [latest Minnesota Poll](#). The poll found a strong majority -- 63 percent of respondents -- preferring to close the state's \$5 billion biennial budget gap with a mixture of tax increases and spending cuts. Only 27 percent of respondents to the May 6-9 poll preferred a budget solution that does not include higher taxes.

Yet that remains the GOP majorities' position. The Republican response to Dayton's offer was not a counteroffer but a bit of theater. More than 50 GOP legislators packed a briefing room to jointly proclaim their refusal to budge in Dayton's direction.

Republicans say their no-new-taxes position is true to their 2010 election mandate. They've been slow to acknowledge that Dayton also won an election in November, and they are obliged to share governing responsibilities with him. Expecting him to bow to all of their demands is not reasonable. It's also not in Minnesota's best interests.

Chief among the reasons Republicans cite for rejecting Dayton's plan is the negative impact of a higher top income tax rate on the competition among the states for talent and business investment.

About that, the Republicans have a point. Minnesota already has [the ninth-highest top income tax rate in the country](#). The state would pay a competitive price if its top rate went to 10.95 percent -- the nation's second-highest -- even though Dayton's latest proposal would shrink the share of filers who would pay that rate to 1.9 percent.

But GOP legislators fail to acknowledge that their no-new-taxes budget also would cause serious economic damage. It would result in thousands of lost government jobs, which would impede economic recovery. It would cost upwards of 150,000 people their health insurance, raising health costs for everyone else. It would reduce course offerings at the state's colleges, slowing and shrinking their output of educated workers. And it would lead to property tax increases, especially in the regional and urban centers that receive local government aid (LGA).

That latter point was driven home Monday by leaders of eight Chambers of Commerce from regional centers around the state. Businesses are more burdened by property taxes than by the state income tax, they said. The GOP budget's \$800 million LGA cut would lead to a \$400 million boost in property taxes in the next three years, the state Department of Revenue has said, while triggering equivalent cuts in municipal services -- "the things that make us great places to live," said Shannon Stassen of the Crookston chamber.

To their credit, those chamber representatives said something heard too seldom from business voices in recent years: A "balanced" budget solution, including tax increases and spending cuts, would be better for business.

We'd add that a "balanced" mix of tax increases would be better than relying only on higher income taxes for top earners, as Dayton does. Applying the sales tax to purchases of clothing and services would help stabilize the state's volatile revenue stream. Raising alcohol and tobacco taxes would both raise revenue and discourage consumption of products that take a costly toll on public health.

These revenue-raising options belong on the negotiating table at the Capitol this week, and business-minded Republicans ought to be the ones bringing them there. The GOP's refusal to compromise on taxes as well as spending is not only denying Minnesota adequate revenue for the shared work this state assigns to government, it's also preventing a needed debate over how to refashion Minnesota's tax policy for the 21st century.

GOP legislators have shown all session that they understand a legislative majority's prerogative to put its preferred policies into legislation. Now they need to show that they also understand a majority's responsibility to govern -- and governing requires adapting their bills to a governor's wishes enough to win his signature.