



# STATE OF MINNESOTA

## Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

January 4, 2007

Senator Thomas Bakk  
Chair, Senate Tax Committee

Senator Julianne Ortman  
Lead Republican, Senate Tax Committee

Representative Ann Lenczewski  
Chair, House Tax Committee

Representative Dean Simpson  
Lead Republican, House Tax Committee

Dear Senate and House Tax Committee Leaders:

As you know, Minnesota uses federal taxable income as a starting point to compute state income tax. Late last year, the U.S. Congress passed several bills that affected federal income taxes for calendar year 2006, including the Tax Relief and Health Care Act of 2006 that was enacted on December 20, 2006. These bills will also impact state income tax paid by Minnesotans for the 2006 tax year.

I encourage you and your colleagues to support bipartisan legislation to conform Minnesota law to the new federal provisions. By doing so, an estimated 170,000 Minnesotans will benefit from a \$24.2 million tax cut for higher education tuition, teacher expenses, and other deductions. I strongly support this law change and will include it in my state budget proposal later this month.

The two largest deductions address educational expenses:

- ***Deduction for tuition and related expenses - \$18.3 million*** - Approximately 110,000 low and middle-income Minnesota taxpayers would be able to deduct higher education tuition and related expenses. The deduction is up to \$4,000 if income is less than \$65,000 for single filers and \$130,000 for those filing joint returns. For incomes between \$65,000 and \$80,000 (single) and \$130,000 and \$160,000 (joint), the deduction is up to \$2,000.
- ***Deduction for classroom teacher expenses - \$1 million*** - Minnesota K-12 teachers will continue to deduct up to \$250 for classroom supplies through an extension of this current provision. Approximately 54,000 Minnesota teachers utilize this deduction.

Tax Committee Leaders

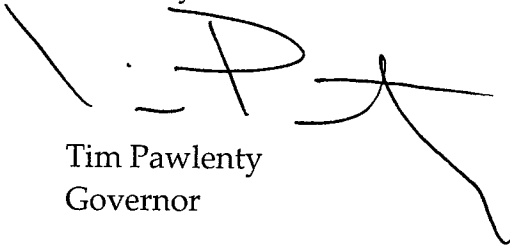
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This legislation is time sensitive. Passing this tax bill early in the session will allow Minnesotans to take advantage of these deductions when they file their taxes in 2007 and decrease the need for taxpayers to file amended state tax returns.

I am pleased to hear that this tax cut has strong bipartisan support in both the House and Senate. This is a great opportunity to work together and work quickly on an important tax issue.

Sincerely,

A handwritten signature in black ink, appearing to be 'Tim Pawlenty', written over a horizontal line. The signature is stylized with a large 'P' and a long horizontal stroke.

Tim Pawlenty  
Governor

cc: All Senate and House members