Charlie Weaver on the Big Idea: But then who'll hire? Who'll give?

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"Read my lips: Tax the rich."

For someone like Mark Dayton, who is competing in the DFL gubernatorial primary, that's old-school politics, not bold, visionary leadership.

For the state of Minnesota, which is competing for jobs and business investment in a mobile, global economy, it's exactly the wrong message at exactly the wrong time.

With the sixth-highest personal income tax burden in the nation, Minnesota already has a high-tax reputation. Dayton would put that reputation on steroids by piling a $4 billion personal income tax increase onto families earning more than $150,000.

For that kind of money to be raised, Minnesota's top tax rate would have to jump from the current 7.85 percent to approximately 14 percent. That's more than double the top rate in all but a dozen states -- and three full percentage points higher than the current leaders, Hawaii and Oregon.

Like it or not, taxes matter. Raise cigarette taxes, and some people will quit smoking. Raise income taxes, and some people will look for a warmer climate with lower taxes.

But so what if a few rich people move to Florida? Who needs 'em?

I'll tell you who: The Science Museum, the Guthrie Theater, the Minnesota Zoo, Big Brothers Big Sisters, the United Way, Minnesota State University Mankato, entrepreneurs in the University of Minnesota's Biotechnology Resource Center, startup companies supported by angel investors and the state of Minnesota -- to name a few.

Because when the wealthy leave, they take their charitable contributions, their investment capital and their tax dollars with them.

Earlier this year, Boston College's Center on Wealth and Philanthropy looked at migration data and charitable giving in New Jersey between 1999 and 2008. During the first half of the decade, giving in the Garden State grew as people moved in from more highly taxed states. After lawmakers pushed the top tax
rate up 40 percent in 2004, fewer wealthy people moved in, more wealthy people moved out and expected giving dropped off.

Frankly, taxing the rich is simply bad tax policy. First and foremost, it's a job-killer.

Minnesota is home to 19 Fortune 500 companies and to thousands of other large employers who provide hundreds of thousands of high-paying jobs in research and development, marketing, management, engineering and more. Doubling Minnesota's top tax rate would make it much more difficult for employers with operations across the country and around the world to justify creating and maintaining high-skilled, high-paying jobs in Minnesota. Such a loss of competitiveness is what happened in California, which is hemorrhaging jobs.

For smaller Minnesota companies, whose profits pass through to the owners, the impact would be even more dramatic. Doubling the personal income tax rate would siphon profits and investment capital from small-business owners who are providing vital jobs -- particularly in greater Minnesota.

Dayton's argument for this dramatic tax increase is tax "fairness." The Minnesota Department of Revenue's "Tax Incidence Study" calculates that middle-income taxpayers spend a higher percentage of their incomes on state and local taxes than those in the top 10 percent.

What Dayton and others fail to mention is that Minnesota -- because it relies so heavily on personal income taxes -- already has one of the most favorable tax systems in the nation for low-income people, according to the same "Tax Incidence Study."

The top 10 percent already account for more than half of state income taxes. And they pay more in overall state and local taxes than 70 percent of taxpayers combined. That seems pretty fair.

Minnesota can't afford to engage in this kind of class warfare. The global recession has focused everyone's attention on the importance of a strong economy, the jobs it provides and the tax dollars it generates. "Tax the Rich" might be a good campaign slogan, but the future of our state depends on tax and spending policies that encourage business investment, job creation and economic growth.

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