



April 25, 2020

Senator Roger Chamberlain
Chair, Senate Taxes Committee
3225 Minnesota Senate Building
95 University Avenue W.
St. Paul, MN 55155

Representative Paul Marquart
Chair, House Taxes Committee
597 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155

Commissioner Cynthia Bauerly
Minnesota Department of Revenue
600 Robert St.
St. Paul, MN 55101

Chair Chamberlain, Chair Marquart, and Commissioner Bauerly:

On behalf of the Medical Alley Association, thank you for the continued leadership you are providing during these uncertain times. I'm writing today to urge your consideration of several measures designed to ensure that patients in Minnesota, and across the country, do not face a shortage in medical technology in the coming months. We cannot afford to have the production of current medical products, nor the development of new innovations, significantly curtailed as a consequence of this crisis.

The health technology and care industry is one of the largest and strongest in our state. It employs more than 500,000 Minnesotans and has an economic impact on the state exceeding \$60 billion. Now, not unlike other industries, the health technology and care industry is facing an uncertain future. Many manufacturers have seen the market for their product significantly decline due to restrictions on elective surgeries. Startup and emerging companies, despite otherwise strong fundamentals, are seeing investment capital stay on the sidelines as investors wait for a clearer picture as the pandemic continues. The result is reduced salary and hours, furloughs, and layoffs for employees, with patients suffering from needed medical technology being unavailable or a promising new therapy not reaching the market.

Below are some items we urge you to adopt to help mitigate the consequences of this pandemic on employers and employees in this critical industry:

- **Fund the Angel Tax Credit Program:** We are grateful for the recent proposal by Senator Chamberlain to remove the sunset on the Angel Tax Credit Program (ATCP). This will result in \$10 million in credits becoming available every year moving forward beginning in Tax Year 2020. This program is key to unlocking investment in health technology startups at a time when valuable capital is sitting on the sideline. Further, the ATCP has been a key part of launching several companies that are now helping to combat COVID-19 and will continue to help seed those that can help battle the next challenge we face.
- **Make First Tier of R&D Credit Refundable:** Immediately making the first tier of the Research & Development Credit refundable for Tax Year 2019. This would provide startup and emerging companies with immediate cash flow to continue paying employees and investing in the hard work that is the lifeblood of their company and produces the next, great innovation in health technology. Consider extending this tax treatment for future years as

well, to incentivize these entrepreneurs to continue expanding investments in their companies as we begin to fully grapple with the economic fallout from this crisis.

- **Conformity to Federal Equipment Expensing:** Fully conform to Section 179 Expensing and Bonus Depreciation rules to allow companies to immediately access capital that they otherwise would have to claim over five years, due to a quirk in Minnesota's tax law.
- **Delay Tax Payments:** Adopt another proposal from Senator Chamberlain delaying the payment of the State General Levy portion of property taxes to provide additional short term flexibility in managing issues brought on by the COVID-19 pandemic.

Additionally, we ask that you take action to ensure that employers receiving funds through the federal Paycheck Protection Program (PPP) – and meet the requirements for loan forgiveness – are not penalized for doing so through the state tax code. Similarly, employers should not suffer a state penalty for providing paid sick and paid family and medical leave through the *Families First Coronavirus Act*.

We are grateful for your consideration of these items that would serve as an important tool for health technology and care companies of all sizes that employ thousands of Minnesotans and invest heavily in their communities, to maintain viability during these difficult and uncertain times.

Thank you for your consideration.



Bobby Patrick, VI
Vice President, Strategic Growth and Policy
Medical Alley Association

cc: Senator Ann H. Rest, Ranking Minority Member, Senate Taxes Committee
Representative Greg Davids, Minority Lead, House Taxes Committee
Emily Lefholz, Policy Advisor – Public Safety, Judiciary, and Taxes, Office of Governor Tim Walz and Lt. Governor Peggy Flanagan
Darielle Dannen, Government Relations Director, Dept. of Employment and Economic Development
Brian Steinhoff, Committee Administrator, Senate Taxes Committee
Nathan Jesson, Committee Administrator, House Taxes Committee
Joanna Bayers, Legislative Director, Minnesota Department of Revenue