



# MINNESOTA ASSOCIATION OF PUBLIC ACCOUNTANTS

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Dear Senator

I am contacting you regarding Senate File 1274, a bill to expand the Minnesota sales tax to include the services of accountants, bookkeepers and tax preparers along with attorneys.

The Minnesota Association of Public Accountants (MAPA) is a professional organization of over eight hundred public accountants throughout Minnesota. Our membership is made up of solo practitioners and small firms which provide accounting and tax preparation services to small business, farmers and individuals. Our members are licensed and/or credentialed as Certified Public Accountants, Registered Accounting Practitioners and/or Enrolled Agents. MAPA provides seminars to meet Continuing Professional Educational requirements of the Minnesota Board of Accountancy and is designated as a Report Acceptance Body by the State Board for purposes of meeting peer review requirements.

MAPA submits that expanding the sales tax in Minnesota to include accounting, bookkeeping and tax preparation services does not provide a fair or sensible way to balance the state budget nor does it constitute good public policy.

MAPA members provide accounting and tax preparation to small business clients on Main Street, not Wall Street. Our members will have to pass the new sales tax on to their clients. Those business clients represent retailers, restaurants which are already under financial pressures from the rapid decline of the economy and tightening credit as well as at a disadvantage when competing against large chain retailers and restaurants. Those larger businesses also have in-house accountants in Chicago, New York and Arkansas. Many of our clients cannot afford that and rely upon accounting services available locally. For example, some of our clients include small machine tool and die shops, local restaurants, meat markets, photographers, real estate offices, shoe stores, contractors and some of these clients do not even pay sales taxes on their products. Small businesses also account for a large number of jobs in Minnesota. Do we really want to impose an additional burden on them now and risk the loss of more jobs?

Equally, if not more disturbing, is that the new tax will have to be passed on to individuals for the use of tax preparation services. For many individuals, tax preparation is not an optional "user" service. While many people may prepare or try to prepare their own taxes with Turbo Tax or some other computer based product, most taxpayers still use the services of a tax preparer. Under this tax provision, many older people on fixed incomes, unemployed workers and similar taxpayers would be required to pay a new tax at the same rate as taxpayers in much higher income brackets.

As members of the Tax Committee, you are very aware that recent tax incidence reports from the Minnesota Department of Revenue indicate that Minnesota's tax system has become steadily more regressive during the current decade and that this trend is projected to continue through 2009. Under the circumstances, we are surprised that this committee would support a policy that would increase state revenues by expanding this trend even further. It would be even more surprising if the sales tax were expanded but the rate reduced to make it less regressive with the result that it would be revenue neutral.

On behalf of all our members and their clients throughout all of Minnesota, we urge you to oppose the expansion of the sales tax on accounting, bookkeeping and tax preparation services as well as other professional services.

Sincerely,

Timothy J. Robinson, CPA  
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