



March 11, 2026

Re: Support for HF 3816

Dear Co-chairs Gomez and Davids, and members of the House Tax Committee:

The Minnesota Society of CPAs (MNCPA) urges you to support HF 3816, which would align Minnesota's tax law with federal rules for research and experimental (R&E) expensing. The MNCPA represents more than 7,500 CPAs who work with thousands of businesses across Minnesota. Our members see firsthand how new businesses, research and innovation drive job creation and economic growth in our state.

Federal law now allows businesses to deduct the full amount of qualifying R&E expenses in the year they occur. Minnesota, however, still requires these expenses to be spread out over five years. This means that companies must maintain separate tax calculations long after the original expense has occurred. Alignment with the federal R&E expensing rules:

1. Encourages innovation by allowing companies to immediately deduct the costs of developing new products, technologies or processes in the same year the expenses occur.
2. Reduces administrative burden and expenses for businesses because aligning with federal rules simplifies tax reporting requirements.
3. Lessens tax complexity in Minnesota, which reduces preparation errors and reduces the time to process tax returns by the Minnesota Department of Revenue.
4. Make state audits simpler and less time-consuming for both businesses and the Department of Revenue.

It is important to note that alignment does not increase tax deductions; rather it changes the timing. Nonconformity puts Minnesota at a disadvantage compared to those states that have adopted the federal approach. Conforming encourages investment in innovation, keeps Minnesota competitive and supports research-related job growth. The MNCPA urges you to advance HF 3816.

We are available to provide more information if needed, please contact me at lwedul@mncpa.org. Thank you for your time and consideration.

Sincerely,

Linda Wedul, CAE
President & CEO, Minnesota Society of CPAs