



March 17, 2025

RE: SF2374

Chair Rest and Senate Taxes Committee Members:

As the president of the Minnesota State Bar Association (MSBA), a voluntary professional association representing approximately 12,000 attorneys in Minnesota, I write to share the MSBA's concerns about the proposed sales tax on consumer legal services. The proposal would be extremely detrimental to the Minnesotans who can least afford it, especially during the most stressful, challenging, and often unexpected moments of their lives.

Fundamental unfairness: Frequently, the state tries to take an individual's liberty (criminal cases), property (eminent domain), money (income tax and property tax disputes), livelihood (occupational and professional licensure), or children (child protection). When Minnesotans hire attorneys to assert and protect their interests in these life-altering cases, it would be extraordinarily unfair—especially when they prevail—to force them to pay what could easily be thousands of dollars in taxes to the same government that initiated the action.

Resource imbalance: Litigation is often a resource battle, with under-resourced parties at a major disadvantage against well-resourced parties. The proposed tax will exacerbate this problem. We do not support expanding the sales tax to include business services, but the consumer-only nature of the proposal means that individuals will often have to pay taxes on legal services in disputes against better-resourced entities that will not. These matters include debt collection, eviction, foreclosure, work comp, non-compete agreements, intellectual property disputes, personal injury cases, and homeowners association litigation.

Unaffordability: The average Minnesotan does not have savings to pay for legal services. When they need to hire an attorney, it requires selling assets, relying on credit cards, or borrowing money from retirement funds or home equity (if either is available). So taxing legal services often means taxing funds that are *already* subject to significant interest or tax consequences.

Justice gap: SF2374 purports to exempt legal aid services from the expanded sales tax. This is a confusing and meaningless "exemption" because legal aid programs provide free services. But those services are only available for extremely underprivileged people — the maximum qualifying income for a family of four is just \$40,187.50. Families making twice that amount still struggle mightily to afford legal services. More importantly, Minnesota's legal aid programs only have the resources to serve 45% of qualified applicants. The proposed sales tax will put critically needed legal services even more out of reach for low-income and average-income Minnesotans.

Court resources: When Minnesotans can't afford lawyers and don't receive free counsel (even if they are eligible) their only choice is to represent themselves and confront daunting legal and procedural complexities for which they have no training. Self-represented litigants significantly slow down court proceedings and delay the administration of justice for all users of the court system. Making legal services more unaffordable will only make this problem worse.

For those reasons we strongly urge you to reject the proposed sales tax on consumer legal services.

Sincerely,

Samuel Edmunds
MSBA President, 2024-2025

Minnesota
State Bar
Association

33 South Sixth St
Suite 4540
Minneapolis, MN
55402

www.mnbar.org

Telephone
612-333-1183
National
800-882-MSBA
Fax
612-333-4927

President
Samuel Edmunds

President-Elect
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