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Senate File 413 (Pappas)

Dear Members of the Senate State and Local Government and Veterans Committee,

The National Federation of Independent Business (NFIB) represents 10,000 small businesses across Minnesota. Our average member employs 10 people; 90% of our members have fewer than 20 employees. Our mission is to advocate for the best interests of Main Street.

Thank you for the opportunity to comment on Senate File 413. We appreciate the effort to improve Minnesotans' financial security in retirement. However, we have several concerns with the proposal that we hope lawmakers will address.

Direct Enrollment for Small Business Employees. We ask the commission to follow the example of most other states by exempting small employers under a certain employee threshold from administrative and payroll collection obligations under the program. As amended by the Legislative Commission on Pensions and Retirement, the bill already contemplates a direct enrollment option that could be used by employees of small businesses.

Most small business owners are deeply involved in the administration, operations, and day-to-day management of their shops, leaving little time and few resources to address employee inquiries about complex questions like cumulative annual IRA limits, appropriate contribution size, auto-escalation of contributions, and other details of the program.

An employee direct enrollment option would save many small businesses the cost and administrative burden while impacting only a small share of the workforce in Minnesota:

Businesses with <5 employees = 60% of all firms; 4% of total non-government workforce

Businesses with <10 employees = 75% of all firms; 8% of total non-government workforce

Businesses with <20 employees = 85% of all firms; 14% of total non-government workforce

Phase-In By Employer Size. SF 413 as amended allows the state to phase in the program over the course of two years, but we encourage a later start date and an articulated, multi-tiered phase in based on employer size. This would give the board more time to prepare the system and allow any kinks to be worked out without impacting every small business in the state.

Respectfully, small businesses are already facing a wave of new regulatory obligations from legislative proposals this year. This includes new employee notice and accommodation requirements, bookkeeping and reporting obligations, and serious penalties in Paid Family and Medical Leave, Earned Sick and Safe Time, Chapter 181 modifications, and other proposals.

If enacted, these would go into effect in short order over the next two years and rapidly impose a significant new administrative and cost burden on small employers. The web of local, state, and federal labor rules has become so complex in recent years that some cities are offering grants to help small businesses pay for software and accounting services just to keep up.

Clear and Fair Penalties. The Legislature should adopt a fair penalty structure in this legislation rather than leave decisions about penalties, investigations and appeals up to the board and attorney general. We encourage lawmakers to look to existing state law for penalty structures and adjudication procedures that are already understood by employers.

For decades, lawmakers have – on a broad bipartisan basis – recognized that new regulations and mandates fall harder on small businesses. Small employers do not have layers of management, accountants, or human resources officers to assist with compliance.

We urge the committee to follow the practice of other states and past legislatures by easing the burden on small employers.

Sincerely,



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