



March 07, 2023

The Honorable Ann Rest, Chair  
Senate Taxes Committee  
Capitol, Room 328  
St. Paul, MN 55155

The Honorable Bill Weber, Ranking Minority Member  
Senate Taxes Committee  
2211 Minnesota Senate building  
St. Paul, MN 55155

**Re: Support for SF2124**

Dear Chair Rest and Ranking Minority Member Weber and Members of the Committee:

We appreciate the chance to weigh in with our support for SF2124, which includes food service equipment in the capital equipment sales tax exemption. Hospitality Minnesota is a trade organization for Minnesota's restaurants and foodservice, hotels and lodging, and resorts and campground sectors. This policy change has been long championed by Hospitality Minnesota and will bring significant positive benefits to our state's hospitality industry. Given the current challenging economic conditions for many sector businesses, this issue has moved beyond tax equity to contributing to the recovery of an industry that remains in need of support.

Minnesota law provides a sales tax exemption for manufacturing equipment used to produce products later resold and taxed at the point of sale. Foodservice businesses also use raw products to produce a product of higher value for sale and this is the only category of manufacturers required to pay the sales tax on their equipment purchases. Including food services equipment in the capital equipment sales tax exemption will create tax equity, aid industry in recovery and provide positive benefits, like more investment in energy efficient equipment.

Even as businesses are on the road to recovery from pandemic closures, inflationary pressures, supply chains issues and workforce challenges have put additional constraints on hospitality businesses. SF2124 is a positive step providing businesses with a key tool in a fragile time in their recovery.

According to recent quarterly survey findings, fielded by Hospitality Minnesota, the Federal Reserve Bank of Minneapolis and Explore Minnesota Tourism:

- 66% of restaurants took on debt due to COVID with an average debt of over \$500,000.
- Half of restaurants do not project revenue to return to "normal" until 2023 or later.

We appreciate the strong support by committee members for this legislation, and SF2124 is a positive move to be fair and equitable related to sales tax exemption. We look forward to serving as a resource for you on our shared goal of good public policy and hastening economic recovery for hospitality businesses across Minnesota. Please don't hesitate to call on us if we can provide any additional information.

Sincerely,

Liz Rammer, President & CEO  
Hospitality Minnesota