



380 St. Peter St. Ste. 750
St. Paul, MN 55101

651-293-1283
NFIB.com/MN
Twitter: @NFIB_MN

March 14, 2024

Senate File 4709 (Seeberger)

Dear Chair McEwen and Senate Labor Committee Members,

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses across Minnesota. Our mission is to promote and protect the right of our members to own, operate, and grow their businesses.

NFIB Minnesota opposes SF 4709. Credit card processing fees are a significant expense for small businesses in retail, hospitality, and service industries where gratuities are common. Small businesses often face higher processing fees than larger competitors due to lower transaction volume. Processing fees can cost 3% to 4% or more of a transaction.

Gratuities are payments to a worker, not the business. When a gratuity is made electronically, the business acts as a facilitator for the payment of the gratuity. The business is, under current law, permitted to retain a percentage of the tip that is the same amount deducted by a credit card service company.

This bill would remove that ability and force small businesses to absorb the cost of processing the gratuity on behalf of an employee. Using the example of a restaurant with \$500,000 in annual sales – the average for an NFIB member – and assuming an average 20% gratuity in addition to those sales, the small restaurant with a 4% processing fee would take on an additional \$4,000 in costs. This is a significant sum as most small restaurants operate on thin to no margins and are facing higher costs at every turn right now.

This bill does not right a wrong, it creates one. We urge the committee to restore the language from Minnesota Rule 5200.0080, Subp. 7:

Where a tip is given by a customer through a credit or charge card, the full amount of tip must be allowed the direct service employee minus only the percentage deducted from the tip in the same ratio as the percentage deducted from the total bill by the service company.

Sincerely,

A handwritten signature in black ink, appearing to read 'John L. Reynolds', is written above the typed name.

John L. Reynolds
Minnesota State Director
National Federation of Independent Business
john.reynolds@nfib.org