



## MINNESOTA GROCERS ASSOCIATION

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Chair Rest and Members of the Senate Taxes Committee:

The Minnesota Grocers Association thanks you for the opportunity to provide written testimony for our support of SF3789, which establishes a vendor allowance for retailers who collect and remit sales tax in Minnesota. This legislation supports growth in Main Street Minnesota by providing a reinvestment in grocery and convenience stores across the state.

The Minnesota Grocers Association is the only state trade association representing the food industry of Minnesota. Minnesota has a unique culture of hundreds of hometown grocers and convenience stores, many of whom are independent, multi-generational, and locally owned. We have over 300 members with over 1,300 locations statewide, which includes food producers, manufacturers, brokers, and wholesaler members. Our industry provides over 150,000 jobs in the state – both union and non-union.

From farm to fork, the challenges continue for the food industry of Minnesota. Increases in labor costs, severe workforce shortages, inflation in commodities, rising energy and transportation costs, as well as persistent supply chain problems test day-to-day operations. All of these factors and regulatory restrictions put dramatic pressure on consumer baskets.

SF3789 would allow for a sales and use tax vendor collection allowance that will reimburse your local retailer a percentage of sales and use tax collected and remitted to the state. This is not a new concept, 27 other states currently allow retailers to have a vendor allowance, including almost all of the states bordering Minnesota. The legislature has already acknowledged the cost for retailers to act as the state's tax collectors. Current statute allows retailers to retain a pass-through fee of three percent on the purchase of E911/TAM fees for administration costs.

Sales taxes related to food items is extremely complex. Navigating taxability requires time and expertise. For example, a fruit juice that contains 51% juice is not-taxable, yet if the fruit juice contains 49% fruit juice it would be. If a candy item contains flour it is not taxable, so a Twix is sales tax exempt, but a Snickers is taxable. All items must be programed into our point of sale systems, and continually updated. The typical grocery store carries over 35,000 items, with new products entering the marketplace daily.

Currently, all costs associated with the collection of state sales tax are absorbed by the retailer. This includes the execution of state sales tax audits, which, for those of you that have experienced an audit know, it can take numerous staff hours, even when you are following the letter of the law. We also pay interchange fees to credit card processors on all sales taxes collected.

On behalf of our membership, we express our support of SF3789 and gratitude to Senator Rest along with the co-authors for championing this legislation. It acknowledges the real costs associated with being the state's tax collectors.

Sincerely,

Jamie L. Pfuhl  
President