



January 19, 2022

The Honorable Carla Nelson, Chair  
Senate Tax Committee  
3235 Minnesota Senate Building  
St. Paul, MN 55155

The Honorable Paul Marquart, Chair  
House Tax Committee  
597 State Office Building  
St. Paul, MN 55155

The Honorable Ann Rest  
Minnesota Senate  
2217 Minnesota Senate Building  
St. Paul, MN 55155

The Honorable Greg Davids  
Minnesota House of Representatives  
283 State Office Building  
St. Paul, MN 55155

Dear Chairs Nelson and Marquart and Ranking Members Rest and Davids:

Please find attached a copy of the December 2021 Hospitality Minnesota Economic Snapshot reflecting the economic state of the industry.

As you can see, the economic recovery for Minnesota's hospitality industry stalled in the fourth quarter of 2021, with troubling projections for the first quarter of 2022. Concerns about workforce shortage, COVID-driven debt, inflation, supply chain challenges, and proposed new costs for businesses threaten to dampen the pace and depth of the economic rebound.

With a \$7.7B surplus and another \$1B in ARP funds forthcoming, the State is in a unique position to aid the recovery of this industry through targeted policy and investment. The following are our top priorities that come under the jurisdiction of the Tax Committee:

**Federal Conformity of Restaurant Revitalization Fund Relief.** The State of Minnesota should not tax federal Restaurant Revitalization Fund emergency assistance received by Minnesota foodservice businesses. The State should take swift action to conform to the federal standard and ensure that the 1,700 small businesses that received emergency relief under this federal program are not forced to re-direct needed funds to the State. As you can see from the attached Economic Snapshot, operators are not in a position to take on additional costs.

**Property Tax Relief from the State Levy.** As we [proposed last session](#), one tool the State can use to provide economic stimulus to this industry is passing a 2-year exemption from the State Levy portion of the property tax to hospitality businesses in Minnesota. While our long-term policy goal is to phase out this tax, in the interim we believe targeted relief to this industry is appropriate. Due to the mitigation actions of the State, hospitality businesses lost up to 249 days of revenue due to shutdowns and businesses limitations. This has resulted in \$4B in debt taken on by foodservice and overnight accommodation operators. The State can offset some of these losses by providing targeted tax relief.

**Exempt Restaurant Equipment from Sales Tax.** As we [proposed last session](#), the State should exempt restaurant equipment from the sales tax. Foodservice businesses are the only category of manufacturers required to pay the sales tax on their equipment purchases. As a matter of fairness, they should be exempted from the tax. Due to the economic conditions of the past two years, many operators have had to forego equipment upgrades but will need to make these purchases in the next year in order to continue in business.

**Protect the Lodging Tax.** We support the protection of the statutory purpose of the lodging tax in Minnesota: to promote tourism and travel through local visitors and convention bureaus. In recent years, some local units of government have sought permission to re-direct these funds to local capital projects. While these projects may be admirable, this is not the appropriate use of these funds; there are more suitable funding mechanisms available to cities for such purposes. Allowing re-direction of these funds sets a bad precedent and is bad policy at a time when Minnesota is attempting to rebuild our tourism and travel industry. Indeed, we contend that using the lodging tax to support local tourism and travel promotion is needed now more than ever.

We thank you for your consideration of our recommendations and we look forward to further dialogue with each of you about how we can move Minnesota's hospitality industry forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Rammer". The signature is fluid and cursive, written in a professional style.

Liz Rammer, President & CEO  
Hospitality Minnesota

Enclosure