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April 4, 2023

Re: HF 2335, HF 2887

Dear Chair Gomez and Members of the House Taxes Committee,

The National Federation of Independent Business (NFIB) represents over 10,000 members in every corner of Minnesota and our mission is to advocate for the best interests of Main Street.

Respectfully, NFIB opposes the tax and fee increases in House File 2335 and HF 2887. While the intention may be noble, small businesses are already struggling under the weight of inflation, supply challenges, and worker shortages. This bill increases taxes and fees by billions of dollars over the next four years and will only make life harder on Main Street.

The bills' combined 1% metro area sales tax increase will fall hard on Main Street, as 50% of sales taxes are paid by businesses. Both small businesses and customers are stretched to the max after two years of inflation-fueled price increases.

The 75-cent delivery tax will also have an outsized negative impact on small businesses, many of whom rely on free or low-cost delivery to remain competitive. The rigidity of the fee will also add expense and confusion for small business owners and customers, as Colorado retailers and consumers experienced following the enactment of a similar tax last year.

Increasing the motor vehicle sales tax and registration fees will make it harder for small business owners to make the investments necessary to maintain and grow their operations.

We support and appreciate the complete dedication of auto repair sales taxes to the Highway User Tax Distribution Fund but encourage full allocation of those taxes beginning in Fiscal Year 2024 in lieu of increasing taxes and fees.

With an \$18 billion budget surplus, the tax hikes and fee increase in this bill are unnecessary and we urge you to reject them. Thank you for considering the small business perspective.

Sincerely,

A handwritten signature in black ink, appearing to read 'John L. Reynolds', is written over a light blue horizontal line.

John L. Reynolds
Minnesota State Director
National Federation of Independent Business
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