



March 18, 2024

Chair Gomez, Representative Brand, and members of the House Taxes Committee –

I am Kathy Zeman, executive director of the Minnesota Farmers' Market Association. Thank you for letting me testify in support of HF4486, to exempt cottage foods from sales tax. MFMA supports all 375+ farmers' markets in MN and the Tribal Nations, and their 10,000+ vendors.

Sales tax on certain foods that our food farmers and cottage food producers make and sell has been one of the most vexing issues for us to resolve. Part of the problem for us is that MN Dept. of Revenue defines the words "prepared foods" much differently than MN Dept. of Ag or MN Dept. of Health, who issue the food licenses.

Exempting all cottage foods from sales tax brings some equity to the cottage foods industry and to our food farmers, since baked "prepared foods" are already exempt from sales tax. But other "prepared foods" like jams and jellies sold by fruit & vegetable farmers who are cottage food producers do have to pay sales tax. Produce farmers who make and sell acidified cottage foods like salsa and spaghetti sauce – using the same ingredients in both products - face a unique conundrum: salsa is taxed but spaghetti sauce is not taxed, because if you heat it to eat it, there's no sale tax.

HF4486 is a good solution for Minnesota cottage food producers, food farmers and the thousands of Minnesotans who buy their foods directly from the makers and farmers.

Thanks for listening and I'm happy to answer any questions you have.

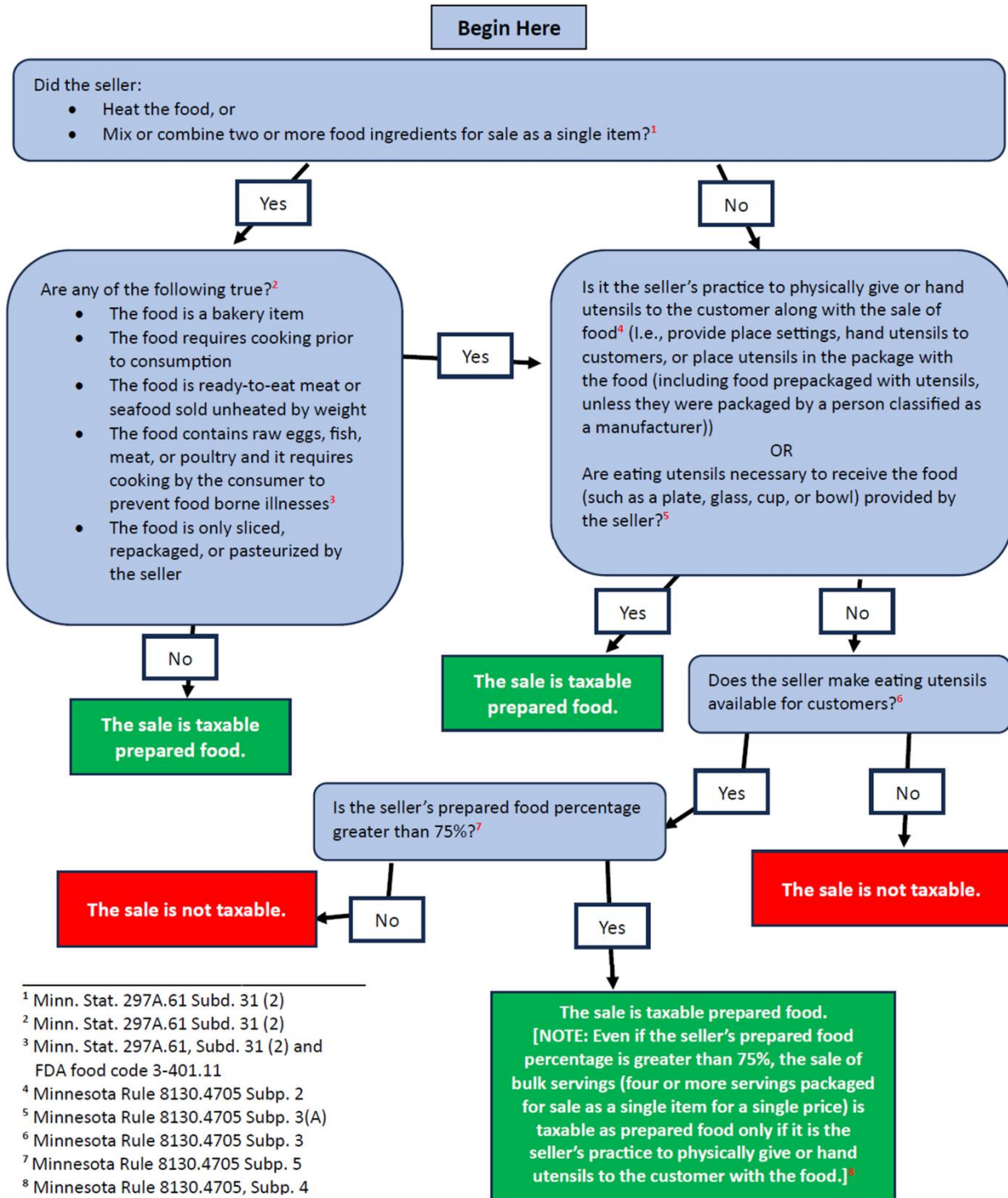
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BACKGROUND

The definition of "prepared food" is governed by the [Streamlined Sales and Use Tax Agreement](#), of which Minnesota is a part. Under the Agreement, if a state includes or excludes certain products from their sales tax base, that state has to use the definition in the Agreement. So, we cannot exempt certain foods or types of food from the definition of "prepared food." Minnesota Department of Revenue created a flowchart that explains how "prepared foods" are taxed, referencing the applicable statutes and rules. Page 2 includes the flowchart from MDOR that show how prepared foods are taxed FYI.

MISSION

MFMA provides services, programs, and leadership that support and promote farmers' markets across Minnesota & Tribal Nations.



¹ Minn. Stat. 297A.61 Subd. 31 (2)

² Minn. Stat. 297A.61 Subd. 31 (2)

³ Minn. Stat. 297A.61, Subd. 31 (2) and FDA food code 3-401.11

⁴ Minnesota Rule 8130.4705 Subp. 2

⁵ Minnesota Rule 8130.4705 Subp. 3(A)

⁶ Minnesota Rule 8130.4705 Subp. 3

⁷ Minnesota Rule 8130.4705 Subp. 5

⁸ Minnesota Rule 8130.4705, Subp. 4

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