



March 26, 2024

The Honorable Michael Nelson, Chair  
House Labor Committee  
585 State Office Building  
St. Paul, MN 55155

The Honorable Joe McDonald, Republican Lead  
House Labor Committee  
241 State Office Building  
St. Paul, MN 55155

**Re: Hospitality Minnesota, Minnesota Licensed Beverage Association, and Minnesota Municipal Beverage Association Concerns on HF 4787**

Dear Chair Nelson, Republican Lead McDonald, and Members of the Committee:

We appreciate the opportunity to weigh in on HF 4787 and raise some concerns for consideration as this bill may impact hospitality businesses across Minnesota. Hospitality Minnesota, Minnesota Licensed Beverage Association, and Minnesota Municipal Beverage Association are the leading hospitality trade associations that represent bars, restaurants and food service across the state of Minnesota.

The hospitality industry, particularly bars and restaurants, operates on extremely thin margins averaging 2 – 5% (unlike other small businesses which can average 10%). Over the past few years, many of our operators have been operating at a loss due to the pandemic and are struggling to recover. One consistently high operating cost for our operators is credit card processing. The United States has among the highest credit card swipe fees in the world. It's no secret the swipe fees have become exorbitant.

In fact, the credit card duopoly is squeezing restaurant operators – 9 in 10 of which are small businesses. Since swipe fees have more than doubled over the past decade, the cost of swipe fees was over \$160 billion when debit cards are included, driving up prices for the average family by more than \$1,000 per year, according to the Nilson report.

While we spend most of our time advocating at the state legislature, we are strongly engaged in the Credit Card Competition Act (CCCA) at the federal level. If we don't move forward with CCCA, we are going to continually disproportionately impact small operators by hitting them with high swipe fees. If serious progress was made to lower swipe fees, there is significant investment businesses can make back into their business and employees.

HF 4787 proposes to prohibit businesses from passing on credit card processing fees on tips to the employees who benefit from such tips. Credit card processing fees often cumulatively range between 2-3+% of a given transaction. Currently, Minnesota law allows restaurants and other businesses to pay their fair share by paying for the 2-3% fee on a given food/beverage tab and requiring the tipped employee to cover the 2-3+% processing fee on the amount of the tip.



As previously mentioned, there is a real cost to process transactions electronically. Asking a server to cover the credit card processing fees on the tips they receive is akin to paying processing fees to use your ATM card or process other electronic transactions. As a matter of fairness, it seems reasonable that the employee would share in his/her portion of the cost to be able to access the benefit of receiving a credit card tip. To note, employers are already paying 7.65% in FICA on sales tax and tips.

While some of our members currently choose to cover their employees' credit card processing fee costs as an added benefit to their employees, not all restaurants are financially able to absorb this cost. This should be considered as the cost to restaurants can be significant.

We encourage the committee to think through the ramifications across the entire ecosystem that this legislation will impact. Please don't hesitate to call on us if we can serve as a resource for input or provide any additional information.

Sincerely,

**Angie Whitcomb**  
President & CEO  
Hospitality Minnesota

**Tony Chesak**  
Executive Director  
Minnesota Licensed Beverage Association

**Paul Kaspszak**  
Executive Director  
Minnesota Municipal Beverage Association