



Representative Kristin Robbins

Minnesota House of Representatives, District 37A
2nd Floor, Centennial Office Building
Saint Paul, MN 55155

RE: Letter of Support — HF 3524 (Overtime Deduction) and HF 3525 (Tip Income Deduction)

Dear Representative Robbins,

On behalf of Hospitality Minnesota — the trade association representing hotels, restaurants, resorts, caterers, and allied partners across our state — I am pleased to express our strong support for HF 3524 and HF 3525. These two bills would allow state income tax deductions to be aligned with the federal deductions for qualified overtime compensation and qualified tip income, respectively. Together, they represent meaningful, targeted relief for the very workers who serve as the backbone of Minnesota's hospitality industry.

HF 3525, the deduction for qualified tip income, is a pro-worker policy that recognizes a unique feature of hospitality employment. Unlike many states, Minnesota does not have a tip credit — tipped employees here earn the full state minimum wage, and gratuities are earned on top of that base. That means tip income represents a genuine earnings advantage that can make a hospitality career more financially attractive and sustainable compared to other industries competing for the same workers. At a time when Minnesota's hospitality industry is working hard to rebuild its workforce and recover from years of significant disruption, anything that makes it more compelling for people to bring their time and talent to a hospitality role is a win for our industry, our businesses, and the communities they serve. Allowing workers to deduct qualified tip income at the state level preserves and strengthens that advantage — and sends a clear signal that Minnesota is a state where a career in hospitality can truly pay off.

HF 3524, the deduction for qualified overtime compensation, addresses another critical dimension of hospitality employment. Our industry is inherently seasonal and event-driven. When a hotel is hosting a major conference, when a restaurant is fully booked for the holidays, or when a resort is at peak capacity, employees step up — often working long hours beyond their standard schedules. Overtime pay is earned through hard work and personal sacrifice. Currently, those additional hours are taxed at marginal rates that can significantly diminish the reward for that effort. By adopting a state deduction for

qualified overtime compensation, Minnesota would send a clear message that hard work is valued and that workers who go the extra mile will keep more of what they earn.

The timing of these bills could not be more important. Minnesota's hospitality industry has faced extraordinary headwinds in recent years — from pandemic disruptions and labor shortages to inflationary pressures and, most recently, significant revenue declines stemming from economic uncertainty. Workforce retention is among the most pressing challenges our members face. When workers can take home more of what they earn, it improves job satisfaction, reduces turnover, and strengthens the stability of the businesses that serve our communities. These two bills are an investment not only in individual workers, but in the economic health of the entire hospitality sector.

We also appreciate that these bills bring Minnesota into conformity with federal tax policy, reducing complexity for workers and employers alike. Taxpayers should not have to navigate divergent state and federal treatment of the same income, and these bills eliminate that unnecessary burden.

Hospitality Minnesota urges the Legislature to advance both HF 3524 and HF 3525 this session. Representative Robbins, we thank you for your leadership and your commitment to the workers and businesses that make Minnesota's hospitality industry thrive. We stand ready to support these efforts in any way we can, including testimony, member engagement, and coalition building.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Hamilton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ryan Hamilton
Director of Government Relations

A handwritten signature in black ink, appearing to read "Angie Whitcomb". The signature is cursive and somewhat stylized, with a large initial "A".

Angie Whitcomb
President & CEO