



January 04, 2023

The Honorable Aisha Gomez, Chair
House Tax Committee
453 State Office Building
St. Paul, MN 55155

The Honorable Greg Davids, Republican Lead
House Tax Committee
283 State Office Building
St. Paul, MN 55155

Dear Chair Gomez and Republican Lead Davids and Members of the Committee:

Hospitality Minnesota greatly appreciates the swift action being taken to address federal tax conformity in the opening days of the legislative session. We have remained steadfast in seeking crucial tax relief for hospitality businesses, including ensuring that Restaurant Revitalization Fund grants and other federal relief are tax-free in Minnesota. These conformity measures are becoming increasingly more urgent as businesses are now being required to pay tax on the very support specifically intended to help them survive the enormous impact of the pandemic.

We appreciate conformity for federal tax exclusions on EIDL Loan Advances, Restaurant Revitalization Grants, and Shuttered Venue Grants. These provisions, along with other provisions in the DE/SW-A06 Amendment, align with the original intent of these federal support programs when they were put into place. It simply makes no sense to provide grant and loan help, then ask the recipients to pay tax on the very funds intended to aid business continuation and recovery.

According to recent findings from the quarterly survey fielded by Hospitality Minnesota, in partnership with the Federal Reserve Bank of Minneapolis and Explore Minnesota Tourism:

- 66% of restaurants took on debt due to COVID with an average debt of over \$500,000.
- Half of restaurants do not project revenue to return to “normal” until 2023 or later.

Even as they work to return to normal levels of business following COVID closures, rising costs due to inflation, supply chains issues and workforce challenges have put additional constraints on hospitality businesses. The burden of paying taxes on relief funds will only add to their vulnerability as they work to fully recover.

We appreciate this positive step forward in helping Minnesota’s hospitality businesses through tax conformity provisions, and we look forward to serving as a resource for you on our shared goal of hastening economic recovery for Minnesota’s hospitality businesses. Please don’t hesitate to call on us if we can provide any additional information.

Sincerely,

Liz Rammer, President & CEO
Hospitality Minnesota