



March 18th, 2026

Representative Greg Davids  
2nd Floor Centennial Office Building  
St. Paul, MN 55155

Representative Aisha Gomez  
5th Floor Centennial Office Building  
St. Paul, MN 55155

Chair Gomez, Chair Davids, and House Taxes Committee Members:

We Make Minnesota is a coalition of labor and community groups united in support of a fair tax code and a budget sufficient to meet the state’s public investment needs. We are writing to state our support for HF 4343, which would expand the sales tax base to include advertising sales and services, raising important revenue for public services like healthcare and education.

HF 4343 is an important step to modernize Minnesota’s sales tax, which was created in 1967 when the economy was predominantly goods-based. Since then, consumer spending has shifted heavily towards services, which are primarily exempt from sales taxes. This shift has increased revenue volatility and contributed to the state’s current budgetary imbalance, both of which will worsen if not addressed.

This bill will also help level the playing field amidst the explosive growth of the digital advertising sales of major social media monopolies.

The advertising industry has grown substantially over the past decades, largely driven by the expansion of digital advertising, which now accounts for three-quarters of all advertising spending, according to industry studies. Nationwide, revenue from the sale of digital ads has grown from \$8.09 billion in 2000 to \$258.6 billion in 2024. In total, five tech companies are estimated to control more than two-thirds of all U.S. advertising revenue, exerting monopolistic power over their customers and users while benefiting by a substantial tax advantage relative to businesses in tangible industries like manufacturing, which pay taxes on many business inputs.

A strong budget requires predictable revenue, and while personal income and corporate tax revenue is progressive, it is also highly volatile compared to revenue from sales taxes. By expanding the tax base to include a booming advertising sector, HF 4343 will ensure that Minnesota can effectively plan for the future and meet our growing budget needs.

Sincerely,

*Eric H Bernstein*

Eric Harris Bernstein, Coalition Director





380 St. Peter St., Ste. 750  
St. Paul, MN 55101

651-293-1283  
NFIB.com/MN

March 18, 2026

**House File 4343 (Lee)**

Chair Gomez, Chair Davids, and members of the Committee -

The National Federation of Independent Business (NFIB) represents about 10,000 small businesses across Minnesota. Our mission is to promote and protect the rights of our members to own, operate, and grow their businesses.

NFIB appreciates the opportunity to testify in opposition to House File 4343, which imposes a sales tax on advertising services – both digital and non-digital. Small businesses in Minnesota are already struggling with rising operating costs and a tax environment that is not conducive to economic growth. A new tax on advertising services will disproportionately impact small businesses who use these services as part of an affordable marketing strategy.

Competitively priced advertising is one of the primary tools that small businesses have at their disposal to compete with larger companies. By subjecting a broad array of advertising services to the sales tax, the Legislature will be negatively impacting the ability of small businesses to compete and grow. Additionally, there is risk that this tax will incentivize the use of out-of-state marketing firms, which will further erode the competitiveness of Minnesota-based businesses.

Finally, if enacted, this tax will likely face lengthy legal challenges, the costs of which would be borne by Minnesota taxpayers. A similar advertising tax was recently enacted in Washington, and it faced an immediate lawsuit, alleging a violation of the federal Internet Tax Freedom Act.

We respectfully ask that the committee oppose House File 4343.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Boesche", written in a cursive style.

**Jon Boesche**  
Minnesota State Director  
National Federation of Independent Business

**Officers, 2025-2026**

**Mollie L. Miller**  
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Amazon

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Kimberly-Clark Corporation

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**Andrew H. Solomon**  
Stagwell, Inc.

**Beth L. Sosidka**  
AT&T Services, Inc.

**Archana Warner**  
Constellation Energy  
Corporation

**Dylan Waits**  
Tax Counsel  
(202) 484-5226  
[dwaits@cost.org](mailto:dwaits@cost.org)

March 17, 2026

Via Online Submission

Representative Aisha Gomez, Co-Chair  
Representative Greg Davids, Co-Chair  
Minnesota House Taxes Committee

**Re: COST Opposes Imposing Sales Tax On Digital Advertising Services – H.F. 4343**

Dear Co-Chair Gomez, Co-Chair Davids, and Committee members:

On behalf of the Council On State Taxation (COST), I respectfully submit this letter in opposition to H.F. 4343 which would extend the State's sales tax to digital advertising services that are mostly, if not exclusively, purchased by businesses. This likely violates the Permanent Internet Tax Freedom Act<sup>1</sup> and this base expansion to business-to-business transactions (business inputs) violates several principles of sound tax policy. A fair, efficient, and well-designed sales tax should be levied only on final consumption by the ultimate consumer. H.F. 4343 is in direct contravention of an ideal sales tax system as it applies to business inputs, which creates tax pyramiding and a lack of transparency to both consumers and policy makers.

**About COST**

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities. Enactment of such a proposal will significantly impact Minnesota's economic competitiveness and growth as it will place Minnesota's businesses at a competitive disadvantage.

**COST Opposes the Taxation of Business Inputs**

The COST Board of Directors has adopted the following formal policy positions in opposition to sales taxation of business inputs:

*Imposing sales taxes on business inputs violates several tax policy principles and causes significant economic distortions. Taxing business inputs raises production costs and places businesses within a state at a competitive*

<sup>1</sup> 47 U.S.C. § 151. See also <https://www.congress.gov/crs-product/IF11947?hl=IF11947&s=1&r=1>.

*disadvantage to businesses not burdened by such taxes. Taxes on business inputs, including taxes on services purchased by businesses, must be avoided.<sup>2</sup>*

*[These] ... taxes are widely acknowledged to violate the tax policy principles of transparency, fairness, economic neutrality and competitiveness; generally, such taxes should not be imposed on business.<sup>3</sup>*

The concerns with the imposition of sales tax on business inputs apply equally to this proposed sales tax on advertising services. The proposed tax in H.F. 4343 is a tax on business inputs that violates key tax policy principles, including transparency, fairness, economic neutrality, and competitiveness. Imposing this type of tax on business inputs causes a lack of transparency resulting from pyramiding. Pyramiding of tax occurs when a tax is imposed on multiple levels of a related series of transactions, such that the sales tax applies to both an intermediate sale to business and a final sale to a consumer. As a result, companies must either pass these cost increases on to consumers or reduce their economic activity in Minnesota to remain competitive with other producers not subject to the same compliance and economic burdens. For example, the tax on advertising services will only increase the cost of products sold in the State because of the need to recover the costs associated with that tax. Many of those products are already subject to the State's sales/use tax. Besides higher prices, some of the cost will inevitably be shifted to labor through lower wages and employment.

### **Administratively Burdensome**

The COST Board of Directors has also adopted a formal policy statement urging states to impose fair, efficient, and customer-focused tax administration. COST's policy is as follows:

*Fair, efficient and customer-focused tax administration is critical to the effectiveness of our voluntary system of tax compliance. A burdensome, unfair, or otherwise biased administrative system negatively impacts tax compliance and hinders economic competitiveness.<sup>4</sup>*

The proposed sales tax expansion to advertising services violates this tax policy principle because it is a burdensome tax that will require most taxpayers to undertake extensive system changes to collect and remit the proposed tax. It is impossible to have 100% accuracy with the collection of the tax which will lead to troublesome audits and litigation. Additionally, this proposed legislation will have the greatest impact on business located in Minnesota because there is a high risk that the sourcing of advertising services sales will default to the location of every Minnesota business buying the advertising services.

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<sup>2</sup> This policy position is available at: <http://www.cost.org/globalassets/cost/state-tax-resources-pdfpages/cost-policy-positions/sales-taxation-of-business-inputs.pdf>.

<sup>3</sup> This policy position is available at: <http://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/costpolicy-positions/grossreceiptstaxes.pdf>.

<sup>4</sup> This policy position is available at: <http://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/costpolicy-positions/fair-efficient-and-customer-focused-tax-administration---revised-feb-2024---final.pdf>.

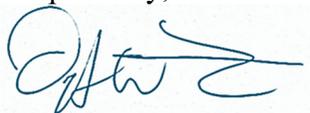
### **Suspect Constitutionality and Protracted Litigation**

Finally, this legislation will become embroiled in expensive and protracted litigation, potentially putting at risk all the revenue raised by the tax. Minnesota will find itself in the same position as Maryland and Washington because the imposition of taxes on advertising services that excludes most “tangible” advertising services violates the Permanent Internet Tax Freedom Act (ITFA). This proposal attempts to capture all advertising services in Section 2, with a definition that encompasses “all digital and nondigital advertising services...,” but then excludes “services rendered in respect to printing, publishing, radio, and television including, but not limited to, services directly related to the creation, preparation, production, or dissemination of advertisements.” This bifurcation discriminates against digital advertising in violation of ITFA and raises serious Due Process and Commerce Clause concerns under the U.S. Constitution.

### **Conclusion**

For the foregoing reasons, COST strongly urges members of the Committee to reject the expansion of sales tax to digital advertising services in this bill.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Dylan Waits', is written over a light blue rectangular background.

Dylan Waits

cc: COST Board of Directors  
Patrick J. Reynolds, COST President & Executive Director

# AMERICANS FOR DIGITAL OPPORTUNITY

March 17, 2026

Rep. Greg Davids and Rep. Aisha Gomez  
Co-Chairs, House House Taxes Committee  
Minnesota State Capitol, Room 120  
Saint Paul, Minnesota

Dear Co-Chairs Davids and Gomez, and Members of the House Taxes Committee:

On behalf of Americans for Digital Opportunity, I write to express our strong opposition to the proposal to impose sales and use tax on digital advertising services.

Over the last decade, America's economy has been transformed by technological advances and nowhere has this transformation been more evident than with digital advertising. The ability of businesses of all sizes to access online platforms and reach new customers has leveled the playing field, allowing start-ups, local newspapers, and countless small businesses to grow and find success.

As you know, advertising is a major economic driver in Minnesota. According to an independent study commissioned by the Association of National Advertisers, advertising expenditures generated \$203 billion in economic activity and supported over 550,000 jobs in the state. This accounts for 18.4 percent of all jobs in Minnesota. Elected officials should be doing everything possible to protect the advertising industry - not considering legislation that would endanger it.

The need for additional revenue is something almost all states face every legislative session. But as a former South Dakota State Senator, past President of the National Conference of State Legislatures, and past President of the Streamline Sales Tax Governing Board, I can tell you that passing this type of tax will not fix your budget issues and has a high probability of only making them worse. Simply put - a tax on digital advertising will invite legal challenges before the state can collect any revenue and will eventually expose Minnesota and its taxpayers to financial liabilities when the law is deemed unconstitutional.

The Internet Tax Freedom Act ("ITFA") prohibits states from imposing "discriminatory taxes on electronic commerce" - which is exactly what this proposal would do. Maryland and Washington State are currently facing lawsuits over digital ad tax legislation on the grounds they violate ITFA. Notably, legal challenges have caused massive complications in Maryland, where the defense of its digital advertising tax has placed significant costs on taxpayers, with no clear end in sight.

These lawsuits should serve as cautionary tales for Minnesota legislators. Should you pass a digital advertising tax, and it be subsequently overturned by the courts, Minnesota would be forced to pay back every cent collected.

Proponents of digital advertising taxes have long argued that they would only affect a handful of multi-billion-dollar companies, but the truth hits much closer to home. Like all business-to-business costs, Minnesota consumers and small businesses will be disproportionately burdened by a digital advertising tax.

In fact, research shows that advertising taxes harm local businesses and consumers more than the corporations they seek to impact. A study commissioned by Deloitte found that France's digital advertising tax impacted consumers the most, with 55 percent of the total tax burden passed on. For small businesses, these taxes lead to more challenging choices - either significantly raising consumer prices, reducing services, laying off staff, or shutting down completely.

Minnesotans, like most Americans, are navigating significant economic pressures and record-high costs. Additional taxes, like this legislation, would only compound these challenges, driving people and investments out of the state. The last thing Minnesota business owners and entrepreneurs need is a tax on their efforts to tell consumers about the important goods and services they offer.

This legislative session provides you and your colleagues with an opportunity to deliver results for Minnesota. Legislative discussions should center around ways to harness the state's opportunity to build a more competitive business environment which would encourage innovation and grow the overall tax base. I hope you will see that this misguided idea would have far-reaching, negative consequences for businesses, consumers, and Minnesota's economy. For these reasons, I urge you to oppose taxes on digital advertising.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Deb Peters', with a horizontal line extending to the left and right of the signature.

Deb Peters, CPA  
Tax Expert  
Americans for Digital Opportunity



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MINNESOTA  
NEWSPAPER  
ASSOCIATION

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**March 17, 2026**

**Re: HF 4343 (Lee – Advertising Services Tax Imposed)**

Dear Co- Chair Gomez, Co-Chair Davids and Members of the House Taxes Committee:

I write as executive director of the Minnesota Newspaper Association (MNA), to express concerns about HF 4343. MNA represents more than 240 news publishers operating in print and online, from the smallest community news outlets to the largest metro publications.

While the impacts of HF 4343 are not yet fully clear, we believe implementing any tax on advertising services would have a catastrophic effect on Minnesota's already at-risk community news landscape. Adding costs to its primary revenue stream – advertising - would degrade the myriad proven benefits of strong community-based journalism: lower taxes and government borrowing costs, better government, higher civic participation and voter turnout, etc.

The also bill poses a major competitive risk to Minnesota news publishers and advertising services businesses. As the digital advertising industry is not confined by geography, large advertisers may easily bypass such taxes by turning to media buying entities in other states to place digital advertising here, while local businesses may struggle to find the same workarounds. Additionally, marketers outside Minnesota's borders could advertise within Minnesota at an immediate 10% competitive cost advantage.

And because this tax directly raises the cost of advertising in community news, Minnesota's other mainstreet businesses – which depend on it to promote their products and services - would also be harmed by higher costs or lower sales.

We therefore believe this bill, if applied to community news publishers, would result in unnecessary slowdowns for our state's economy. The follow-on effect of higher costs and lower sales for Minnesota publishers, retailers and service industries is ultimately fewer tax revenues for Minnesota's state and local governments.

Additionally, administration and enforcement of the measure, given the worldwide scope and complexities of the digital advertising industry, could prove burdensome and costly. Similar measures in Washington and Maryland resulted in lawsuits from Comcast and others, contending such measures violate the federal Internet Tax Freedom Act (IFTA).

For these reasons, it is difficult for us to see how this proposal benefits Minnesotans, local businesses, the state government or the democratic process. MNA would prefer to see a full review of potential impacts by lawmakers and stakeholders before further action is taken.

We appreciate your consideration of our concerns.

Sincerely,

**Lisa Hills**  
**Executive Director**  
**Minnesota Newspaper Association**

**March 18, 2026**

Chairs and Members  
House Taxes Committee  
Minnesota House of Representatives  
St. Paul, MN 55155

**RE: Opposition to HF4343**

Dear Chair and Committee Members,

The Minnesota Technology Association (MnTech) is a coalition of more than 140 member companies working together to strengthen Minnesota's technology ecosystem and innovation economy. For more than 40 years, MnTech has served as a trusted convener and unifying voice for technology-driven businesses and the professionals who support their growth and success. We write to express our opposition to the proposed sales and use tax on advertising services contained in HF4343.

As drafted, HF4343 would apply a new tax to a broad range of professional services that are integral to modern business operations, including services routinely provided by Minnesota-based marketing agencies, creative firms, independent contractors, and in-house teams. In practice, this proposal would function as a direct tax on Minnesota's digital and creative services workforce and on the businesses—particularly small and mid-sized companies—that rely on these services to compete, reach customers, and grow.

Minnesota businesses already operate in a highly competitive environment and often with narrow margins. The cost of this tax would be passed on to purchasers of advertising and marketing services, increasing costs for companies that depend on these tools to drive revenue and expand their reach. For many small and mid-sized firms, these added costs would limit their ability to invest in growth and innovation. We are also concerned that the bill explicitly exempts services related to printing, publishing, radio, and television, while imposing a new tax on digital and creative services. This approach is not technology-neutral. By carving out legacy media channels and taxing digital services, the proposal creates an uneven playing field and penalizes businesses for using modern, data-driven tools that are essential in today's economy. MnTech supports tax policies that recognize the importance of digital infrastructure and innovation and that apply consistently across technologies and platforms.

Minnesota's long-term economic competitiveness depends on its ability to attract and retain technology companies, entrepreneurs, and skilled professionals. Taxing the digital services that power contemporary business operations sends a concerning signal to current and prospective employers at a time when states are competing aggressively for technology investment and talent. Many neighboring and peer states do not impose similar taxes, and this proposal would place Minnesota at a relative disadvantage.

For these reasons, MnTech respectfully urges the Committee to vote no on HF4343 and to consider revenue strategies that do not single out specific technologies, services, or industries. We would welcome the opportunity to engage further with the Committee to discuss the potential impacts of this proposal and to help identify policies that support a strong, innovative, and competitive Minnesota economy.

Sincerely,



**Joel Crandall**

President & CEO  
Minnesota Technology Association (MnTech)

March 17, 2026

The Honorable Greg Davids  
Co-Chair, Minnesota House Committee on Taxes  
658 Cedar Street  
St. Paul, MN 55155

The Honorable Aisha Gomez  
Co-Chair, Minnesota House Committee on Taxes  
658 Cedar Street  
St. Paul, MN 55155

*Re: HF 4343 – Concerns Regarding Proposed Regulation of Online Services*

Dear Chairs Davids and Gomez,

I write to express TechNet's opposition to HF 4343, which would impose a new tax on digital services in Minnesota.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of American innovation by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes more than 100 dynamic American businesses ranging from startups to the most iconic companies on the planet and represents five million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance.

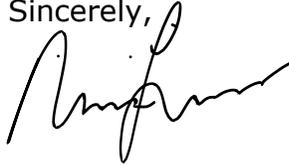
A tax on digital advertising is fundamentally a tax on a core business input used by companies of all sizes to reach customers. Businesses across Minnesota rely on digital advertising tools to promote their products, connect with consumers, and grow their customer base. These tools help support a competitive and dynamic marketplace by enabling businesses to efficiently reach audiences and expand their presence in the digital economy.

Digital advertising taxes also raise serious policy concerns because they single out one sector of the economy for discriminatory taxation. Similar proposals in other states have generated significant legal challenges and implementation concerns due to vague definitions, complex sourcing methodologies, and potential conflicts with federal law, including the *Internet Tax Freedom Act* and the U.S. Constitution's Commerce Clause.

In addition, policies that attempt to tax digital advertising introduce significant administrative complexity and uncertainty for businesses operating across state lines. Because digital advertising platforms operate in interstate markets, state-by-state tax regimes risk creating a patchwork of inconsistent rules that increase compliance costs and discourage innovation and investment.

Thank you for your time and consideration. We welcome continued dialogue with the Committee and stand ready to be a resource as you consider these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ninia Linero', written in a cursive style.

Ninia Linero  
Executive Director, Illinois and the Midwest  
TechNet

CC: Members of the Committee on Taxes