



MINNESOTA GROCERS ASSOCIATION

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Chair Davids and Members of the House Taxes Committee:

The Minnesota Grocers Association (MGA) would like to express our strong support for the provisions in HF5 that would repeal the nation's highest consumer delivery fee - a fee that has proven both inefficient as a revenue source and impractical to administer.

The MGA is the only state trade association representing the entire food industry of Minnesota. Our state has a unique culture of hundreds of hometown grocers and convenience stores, many of whom are independent, multi-generational, and locally owned. The MGA represents over 300-member companies with over 1,300 locations statewide, which includes food producers, manufacturers, brokers, and wholesaler members. Our industry provides over 150,000 jobs in the state – both union and non-union.

For many grocers, the expense of updating point-of-sale systems to track and implement the new fee has reached the thousands of dollars per store. The complexities of managing sales tax in Minnesota are already significant, and the introduction of this retail delivery fee adds yet another layer of intricacy.

Products subject to the delivery fee do not align with existing sales tax categories, forcing retailers to create new classifications within their systems. They now have to track four separate categories: non-taxable/not subject to the delivery fee (ex: dry goods), taxable/not subject to the delivery fee (ex: prepared foods), non-taxable/subject to the delivery fee (ex: clothing), and taxable/subject to the delivery fee (ex: baking chocolate). Given that the average supermarket carries over 33,000 items, this becomes an expensive logistical challenge.

It's also important to note that independent grocers operate on razor-thin profit margins—just 1.6% on average in 2023. This slim margin leaves little room to absorb the added financial burdens created by the delivery fee. As a result, these costs are inevitably passed on to consumers, increasing the price of goods for everyone—regardless of whether they use delivery services.

The costs associated with this fee impact small businesses far more heavily than large corporations. While major national retailers, like Walmart, have the ability to spread these costs across their thousands of stores. Small, family-owned businesses do not have that luxury. With ongoing market consolidation and increasing dominance of large corporations, these new fees and regulations further disadvantage small businesses, pushing them closer to the brink of closure.

We appreciate the committee's consideration of HF5 and urge you to support this legislation, which would help create a more competitive environment for small businesses in Minnesota while also making life more affordable and accessible for all consumers.

Sincerely,

Steve Barthel
Director of Government Relations
Minnesota Grocers Association