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March 23, 2023

**VIA EMAIL**

Representative Frank Hornstein, Chair  
Representative Brad Tabke, Vice Chair  
House Transportation Finance and Policy Committee  
Minnesota Legislature

**Re: Testimony in Opposition to House File 580 - Retail Delivery Fee**

Dear Chair Hornstein, Vice Chair Tabke, and Members of the House Transportation Finance and Policy Committee:

On behalf of the Council On State Taxation, I thank you for the opportunity to provide comments opposing House File 580 (“H.F. 580”). If additional revenue is needed for the State’s transportation budget, we strongly encourage this Committee to explore revenue options that do not impose onerous burdens on those subject to collecting and/or remitting the proposed fee.<sup>1</sup> This “Retail Delivery Fee” is structured after legislation that went into effect on July 1, 2022 in Colorado, where many taxpayers, intrastate and interstate, still struggle to comply with the additional system programming changes and other administrative issues. The imposition of this fee will significantly increase costs to Minnesota’s citizens and hinder Minnesota’s economic growth and competitiveness.

**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 over 500 major corporations engaged in interstate and international business, many of which are incorporated and do business in Minnesota. COST’s objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities.

**New and Novel Retail Delivery Fee Onerous for Businesses & Revenue Agency**

While legally in effect for over six months, taxpayers subject to Colorado’s Retail Delivery Fee continue to face challenges in addressing the necessary system changes to

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<sup>1</sup> While labeled as a “fee,” this is really a tax because it is not regulating or offsetting any regulatory costs to the State.

collect that fee.<sup>2</sup> Because H.F. 580 is structured in a manner similar to Colorado's fee, Minnesota taxpayers will face the same challenges to comply with the law. And, just as issues with administration of the fee are difficult for the Colorado Department of Revenue, the Minnesota Department of Revenue will face similar difficulties.

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

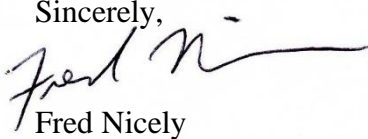
*Fair, efficient and customer-focused tax administration is critical to the effectiveness of our voluntary system of tax compliance. A burdensome, unfair, or otherwise biased administrative system negatively impacts tax compliance and hinders economic competitiveness.<sup>3</sup>*

H.F. 580's proposed Retail Delivery Fee violates this policy position because it is a burdensome tax that will require most taxpayers to initiate extensive system changes to collect and remit this proposed fee.

### **Conclusion**

COST opposes H.F. 580 and urges this Committee to explore other more reasonable options if additional revenues are needed to fund transportation. Please do not hesitate to contact me with questions or if you would like to discuss these comments further.

Sincerely,



Fred Nicely

cc: COST Board of Directors  
Douglas L. Lindholm, COST President & Executive Director

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<sup>2</sup> Colorado presently has two bills to modify its Retail Delivery Fee. S.B. 23-143 would make some modifications to how the fee is collected and who is subject to the fee, while H.B. 23-1166 would eliminate the fee.

<sup>3</sup> COST's Fair, Efficient, and Customer-Focused Tax Administration policy is available at:  
<https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fair-efficient-and-customer-focused-tax-administration.pdf>.