



April 2, 2023

RE: OPPOSE Retail Delivery Fee – HF1887

Dear Rep. Frank Horstein, Senator Scott Dibble and Conferees :

On behalf of the Chamber of Progress, a tech industry association working to ensure that all Americans benefit from technological leaps, I write to urge you to oppose a retail delivery fee, which would levy a regressive 75-cent tax on retail items delivered to Minnesotans' doorsteps. HF580 is now included as a part of a transportation omnibus bill, HF1887.

The proposed fee would impose burdensome taxes on businesses and consumers across the North Star State, while placing further distress on vulnerable and disadvantaged populations like the disabled, elderly, and those living in food-insecure communities who rely on deliveries daily.

Delivery services have become an integral part of our life, during and after the Covid-19 pandemic. Many families working long hours, students, elderly people, the disabled community, and those living in rural and remote localities depend on affordable and accessible delivery services for prescriptions and other essentials.

Delivery services seamlessly connect merchants – including local businesses – to customers, ensuring secure transactions from the safety of their homes. Between 2021 and 2022, 54 percent and 41 percent of adults surveyed reported they were likely to have frequently used an app to deliver food and groceries respectively,¹ and studies suggest the average order frequency for groceries will increase at a 12 percent annual rate over the next five years.²

Delivery taxes hurt disadvantaged communities and gig workers.

Minnesotans can not afford an extra tax on deliveries during these times of rising inflation, crippled supply chains, and economic uncertainty. This is especially true

¹http://progresschamber.org/wp-content/uploads/2022/07/COP_Civic-Innovation_ANALYSIS.pdf

²<https://www.grocerydive.com/news/online-grocery-sales-will-increase-at-12-annual-rate-over-5-years-report/641578>

for seniors, the disabled community, and underprivileged populations living in food deserts who are the most likely to rely on grocery delivery.

Delivery goods make up a sizable portion of the consumer price index (CPI), which has already risen sharply in the past two years without additional taxes. The rising cost of food and other necessities falls especially hard on lower-income households.³ Imposing delivery taxes not only creates a regressive tax on poor consumers but also limits opportunities for gig workers. Raising costs for delivery would encourage consumers to place fewer orders and reduce earnings for workers.

Delivery taxes hurt residents of neighborhoods where grocery stores have closed.

Food insecurity in North Minneapolis has been exacerbated by the closure of prominent grocery and convenience stores like Aldi⁴ and Walgreens⁵. Families who live in these neighborhoods increasingly rely on affordable delivery services to access goods like household items, groceries, prescriptions, and other essentials. Access to affordable delivery services is not just a convenience but a necessity for communities that need them most.

Delivery reduces carbon emissions.

Customer trips to stores produce more greenhouse gas emissions than delivery order fulfillment options. Rather than several individual vehicles traveling to and from their homes to shopping centers, a delivery service is able to deliver multiple households along one single trip. Delivery taxes incentivize customers to shop via more carbon-intensive methods.

We share your sentiment that funding state infrastructure is a critical component of good governance. However, the proposed tax would come at a time when consumers and businesses can least afford it, as economists warn the U.S. is teetering on the edge of a recession. If signed into law, Minnesotans would pay the highest delivery tax in the country – superseding Colorado, whose new delivery tax has wreaked havoc and resulted in frustration amongst businesses and consumers alike.⁶

³<https://www.npr.org/2022/05/11/1097966775/inflation-poor-income-inequality-biden-federal-reserve>

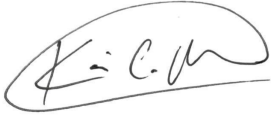
⁴<https://www.mprnews.org/story/2023/02/10/aldis-exit-shakes-north-minneapolis-widens-worries-over-food-insecurity>

⁵<https://kstp.com/kstp-news/local-news/walgreens-to-close-north-minneapolis-location/#:~:text=A%20company%20spoke%20has%20confirmed.22%2C%202023>

⁶https://denvergazette.com/news/business/confusion-swirls-as-colorado-imposes-new-retail-delivery-fee-catching-businesses-by-surprise/article_9adf61f4-fedd-11ec-a76c-d32b3bedaf4e.html

We strongly urge you to oppose the **retail delivery fee housed in HF1887** and instead prioritize lifting up the most vulnerable populations while supporting economic growth and opportunity for all Minnesotans.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Marshall", enclosed within a hand-drawn oval shape.

Kouri Marshall
Director, State and Local Government Relations, Central Region
Chamber of Progress