

Join with us to repeal B2B taxes

By David C. Olson

Minnesotans, prepare to dig deeper into your pocketbooks courtesy of the 2013 Legislature. Companies are being asked to pay a premium for the privilege of doing business in Minnesota. The sales tax is being extended to two broad categories of business-to-business (B2B) services, effective July 1, and a third category next April 1. The pyramid effect of the higher cost is certain to be felt across the state.

The Minnesota Chamber of Commerce and our federation of local chamber partners succeeded in defeating Gov. Mark Dayton's broad-based sales tax on B2B transactions in the legislative session. But the final budget still enacted sales tax on three types of services:

- Labor service charges for repair and maintenance of business equipment and machines, effective July 1.
- Purchases of telecommunications equipment by telecommunications providers, effective July 1.
- Storage and warehousing services of business-related goods, effective April 1, 2014.

Minnesota businesses will pay the 6.875% state sales tax, plus any local sales tax, on these services. Consider the impact on your bottom line.

Do you have farm machinery, capital equipment, computers, industrial equipment, or, for that matter, any other piece of business equipment, in need of repairs?

Do you pay or provide warehouse and storage services in Minnesota?

If you have an employee or own an affiliated company that can provide these services, you're in luck – the new tax will not apply. But for the majority of companies, especially small and midsize businesses that have to hire the work out, you'll be paying the tax.

These are investments that often are part and parcel of growing businesses and creating jobs. These are decisions that may have been automatic in the past but now will likely prompt businesses to pause.

Minnesota is among the few states that taxes these B2B services. The impact, without a doubt, will be significant as affected companies will be placed at an extreme disadvantage with their peers in other states and nations. Consumers will pay the price through higher costs for goods and services; employees will feel the impact through lower wages and lost jobs. These taxes will harm Minnesota businesses and Minnesota's economy.

The Minnesota Chamber is mounting an aggressive campaign to repeal these taxes. Please join our effort by contacting Jennifer Byers, vice president of grassroots and chamber relations, at 651.292.4673 or jbyers@mnchamber.com. It's critical to strengthening the business environment and improving the lives of all Minnesotans.

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