

Repeal B2B taxes; we don't need these headlines

By David C. Olson

The Minnesota Department of Revenue recently issued guidelines for the new sales tax on storage and warehouse services for business goods set to take effect April 1. The story generated headlines from Indiana to South Carolina to New York – providing more ammunition for states to try to lure Minnesota companies to relocate or expand elsewhere. Minnesotans will be the net loser.

Repealing all three business-to-business (B2B) sales taxes on business services tops the Minnesota Chamber's agenda for the 2014 Legislature. As leader of the United for Jobs Coalition, we are encouraging these taxes be repealed early in the session.

Local chambers of commerce across the state are supporting our campaign. You can assist in our efforts by signing our petition and contacting your legislators by visiting [www.unitedforjobsmn.com](http://www.unitedforjobsmn.com).

Our campaign was helped considerably by the December state budget forecast that projected a \$1.08 billion surplus for the current two-year cycle, which provides ample resources to repeal all three of the new taxes plus reduce other uncompetitive taxes. The good news is that Gov. Mark Dayton has made the tax repeal a priority, too, provided the February forecast still shows a surplus. We hope his leadership will help the House and Senate agree to repealing these taxes.

The three taxes are:

- Labor charges for repair and maintenance of business equipment, effective July 1, 2013.
- Telecommunications equipment purchases by telecommunications providers, effective July 1, 2013.
- Storage and warehousing services of business -related goods, effective April 1, 2014.

The new B2B taxes do not apply if the service is done by an employee or by an affiliated company. As a result, small and medium-sized companies – the heart and soul of Minnesota's economy – will bear the brunt of these additional costs.

We need your help. Your stories are our most effective voice. Please contact your legislators today, and urge them to support repeal of all three taxes. Remind them that this aligns perfectly with the governor's agenda for an "Unsession."

Also, encourage legislators to take action early in the session, which convenes Feb. 25. Companies need certainty so they can make their business plans. Many companies are rethinking their investment in Minnesota, if they have not already moved their dollars out of state.

An early tax bill is needed to repeal the B2B taxes prior to the storage and warehouse tax kicking in on April 1 and also to correct another headache facing Minnesota businesses and individuals: the lack of conformity with federal tax law. The 2013 Legislature did not adopt federal tax items that have been typically conformed to in prior years such as employer-provided adoption assistance and tuition

assistance. This adds great complexity and increased taxes on benefits not taxable at the federal level but will be taxable in Minnesota. For some businesses, it will mean keeping two sets of books for 15 or 30 years due to lack of conformity on depreciation schedules on certain business equipment.

The governor has recommended that federal conformity and repeal of all three B2B taxes should be a priority for the budget surplus. We agree.

The daily headlines still show the lingering effects of the recession. Let's pledge now to repeal all three B2B taxes, and generate some positive headlines for the Minnesota economy.

**David C. Olson is president of the Minnesota Chamber of Commerce – [www.mnchamber.com](http://www.mnchamber.com).**