



RESTAURANT, LODGING, RESORT AND  
CAMPGROUND ASSOCIATIONS

March 16, 2020

The Honorable Tim Walz, Governor  
State of Minnesota  
130 State Capitol  
75 Dr. Reverend Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155

The Honorable Paul Gazelka, Majority Leader  
Minnesota Senate  
95 University Avenue West  
Minnesota Senate Building, Room 3113  
Saint Paul, MN 55155

The Honorable Melissa Hortman, Speaker  
Minnesota House of Representatives  
463 State Office Building  
Saint Paul, MN 55155

**Re: COVID-19/Coronavirus Impact on the Hospitality Businesses and Minnesota Economy**

Dear Governor Walz, Majority Leader Gazelka and Speaker Hortman:

We write regarding the economic impact of COVID-19/Coronavirus on Minnesota's hospitality businesses. These businesses are vital contributors to Minnesota's economy and particularly vulnerable to the economic pressures mounting from the pandemic.

This industry employs 1 in 10 workers in our state, generating approximately \$6 billion in wages. The industry also collects and remits 18% of the State's sales tax. Without this sales tax remittance, the average Minnesota family would pay an additional \$625 per year to fund Minnesota's spending priorities. According to the National Restaurant Association, restaurants generate nearly \$11 billion per year in sales in Minnesota and every dollar spent in the table service segment contributes \$1.99 to the state economy. The American Hotel and Lodging Association estimates annual spending by lodging guests in Minnesota at \$8 billion and total business sales generated at \$20 billion. The continued viability of the hospitality industry is critical to a robust and diverse Minnesota's economy and its workers.

Many hospitality businesses operate on very thin margins (restaurants and other hospitality business often operate on 2-5% margins, compared to 10% for many other industries). Dramatic shifts in guest volume can threaten the very viability of a given small business in this industry, especially when they are already facing skyrocketing health care expenses, increased regulatory costs, a tight labor market, and other cumulative cost factors. Many hospitality businesses in Minnesota are projecting a 30-75% revenue reduction in the short-to-medium term, while others express concern of significantly higher reductions given the fluidity of the current situation. These businesses are likely to face serious challenges around cashflow in the short-to-medium-term. In addition, federal legislation currently being considered by Congress to deal with COVID-19/Coronavirus may require small businesses to front the costs of certain employee sick leave benefits. Although the bill currently contemplates the ability to recoup these funds from the federal government in the form of tax credits *down the road*, this would significantly exacerbate the cashflow challenges these businesses are already facing if they can even afford to pay them at all.

While recommendations by public health officials to promote social distancing and reduce public gatherings is the prudent course of action, it will come at a considerable cost to businesses across the state. In order to stay in business, small and medium-sized hospitality operators may be forced to reduce hours for employees, impose layoffs, or even close temporarily. Some have already closed. Even employing these mitigation strategies, hospitality businesses are put at risk of going out of business. Such outcomes are potentially catastrophic to workers, operators and our economy at large, given the role this industry plays both as an employer and generator of revenue for the state.

We fully support your efforts to take timely action to aid the viability of businesses and their workers negatively impacted by changing economic conditions driven by the pandemic in Minnesota. Potential avenues for such relief include, but are not limited to:

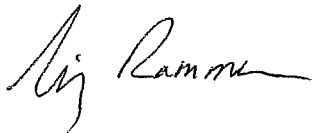
- **Establishing an Economic Relief Fund.** Minnesota has a tradition of supporting small businesses harmed by emergency conditions. We ask that you give serious consideration to establishing a state-wide relief fund through the Department of Employment and Economic Development to support hospitality businesses through no-interest loans.
- **Accelerating Unemployment Benefits.** We ask that you allow employees facing work shortages or reductions to receive immediate emergency relief through the State's unemployment insurance program. Currently, workers must experience a "non-payable week," and are told that they should not expect their first relief payment for three weeks. Anything that the State can do to expedite this process would be helpful. In addition, any and all options should be explored to support hourly-wage workers affected by the anticipated economic downturn wrought by this crisis.
- **Deferring the Remittance of the Sales Tax.** Hospitality businesses collect and remit at least 18% of the State's sales tax. Deferring the remittance of the sales tax (or a portion of the sales tax) collected by hospitality businesses (or targeted hospitality businesses facing economic difficulty) could help these businesses maintain sufficient cashflow over the medium-term. The goal is to allow them to remain viable businesses in the market. It will

equate to a reduction in revenue to the state over the short-term, however, maintaining the viability of these businesses means the State will continue to benefit from their sales tax revenue over the long-term. In addition, the State should also consider temporary deferral or "holiday" from withholdings payments or other state tax obligations in order to assist small and medium sized businesses with cashflow in the short-term.

- **Eliminating the Accelerated June Sales Tax Payment.** Hospitality businesses facing cashflow challenges will see those challenges significantly exacerbated by Minnesota's current policy of accelerating the sales tax payments due for June 2020.
- **Temporarily Extending the Deadline for Liquor Payments.** State law requires hospitality businesses to pay liquor vendors within thirty days, or risk being "posted" by the Department of Public Safety. If that happens, they cannot purchase additional liquor shipments until payment is made. Temporarily relaxing this time period to 90 days will assist these businesses with cashflow, helping to ensure they survive and *continue* to be purchasers in the medium-to-long term and thus they will benefit these same vendors and generate revenue for the state.

Our businesses are attempting to adapt to the current market conditions as rapidly as possible, providing additional "to-go" options for customers, creating greater "social distancing" for restaurant floors and other settings, and intensifying our ever-vigilant hygiene and sanitation efforts, to name a few. However, it is rapidly becoming apparent that additional economic supports are necessary to ensure the continued viability of this industry in Minnesota. Given the critical importance of these businesses to Minnesota's workforce and broader economy, we strongly suggest that we work together closely to find solutions to the current market challenges. We are stronger together.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Rammer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Liz Rammer, President & CEO