



February 25, 2025

RE: HF5

Dear Chair Davids and Members of the House Tax Committee:

Minnesota faces a huge funding gap, in the billions of dollars, to repair and maintain existing roads and bridges on the state, county, city and township systems. The

There are only so many options for addressing the state's road and bridge repair needs. The fuel tax, tab fees, the sales tax on motor vehicle purchases can only be increased so much. Property taxes – which are not a user fee bear the burden when state revenue is not adequate. Greater reliance on the general fund – is very challenging given the current projection of a \$5 billion deficit in the following biennium.

The members of the Minnesota Transportation Alliance – including local governments, labor, business and the transportation industry - strongly support the new retail delivery fee in the wake of the explosion of deliveries as a result of COVID that have continued and that increase wear and tear on our roadways.

All states are looking for new revenue sources. Currently, 10 additional states are considering a delivery fee. Among them, Maryland, where the governor has proposed a 75-cent fee on retail deliveries as part of his 2026 budget. Bills have already been introduced this year in Hawaii, which is considering a 50-cent delivery fee, and Mississippi, which is considering a 30-cent fee. A transportation funding bill in Indiana would grant local governments authority to impose a “county option retail delivery fee” on retail transactions. New York, Ohio, Nevada, and Washington are all looking at adding this revenue source as fuel tax revenue declines without an increase in the rate or indexing to all the revenue to keep up with inflation.

A big factor in the lower revenue amount in Minnesota is the \$100 order threshold. Now that businesses have set up systems to collect the fee, just like they collect state and local sales tax, we would like to work with you to improve the fee. Removing the threshold will make the fee less complicated and provide more revenue for roads and bridges.

We can't afford to lose any revenue sources that support our transportation system, including indexing the fuel tax and the retail delivery fee.

Businesses need a transportation system that works. Deficient bridges, crumbling pavements, and traffic congestion – all cost businesses real money as they try to move products and people and conduct business in the state. Investing in Minnesota's transportation system will create jobs, support businesses and allow the state's economy to grow.

Sincerely,

Margaret Donahoe
Executive Director