



## **Exempt Building Materials Used for Resort and Campground Renovations from the Sales Tax**

**POSITION:** Hospitality Minnesota supports an exemption from the sales tax on building materials for remodeling or improving structures for resorts and campgrounds. Capital investments made to provide taxable goods and services are exempt from the sales tax for most industries.

**BACKGROUND:** We believe it is vital to encourage investment in our resort and campground facilities to continue to compete with resorts and campgrounds in other states, as well as short-term vacation rentals within our state. There were approximately 300 less resorts in Minnesota in 2018 than there were in 2004. An exemption from the sales tax on building materials for resorts and campgrounds that build, or remodel cabins or other buildings would make it easier for our members to make the necessary investments to compete, grow and thrive in Minnesota. Investments will strengthen the industry and the economy of many communities.

- Taxes are passed through to guests in the form of higher rates, to employees in the form of lower wages, and to owners as lower profits. Higher taxes make it hard to invest in the capital improvements that make Minnesota resorts and campgrounds competitive.
- Most businesses consider tax rates when choosing to expand or relocate; significant increases in taxes pose general deterrents for those states.
- Our tourism businesses must regularly upgrade their properties in order to keep drawing vacationing guests to Minnesota. Exempting sales tax from the needed materials to produce a product that will later see greater return in revenue makes financial sense for our businesses and for our state. Phasing out the uncompetitive and regressive statewide levy should be a high priority for the Governor and the Legislature.

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