

April 7, 2025

RE: Opposition to SF 3197

Senator Rest and Members of the Senate Taxes Committee:

On behalf of the more than 150 technology-enabled companies that comprise the membership of the Minnesota Technology Association, I'm writing to respectfully voice our opposition to the proposed tax on social media platform companies. While we recognize and appreciate the desire to look at new forms of taxation to address Minnesota's looming budget deficit, this legislation, as drafted, raises serious legal, economic, and procedural concerns that warrant deeper consideration before moving forward.

SF 3197 is likely a violation of federal law. At the forefront is the Internet Tax Freedom Act (ITFA), a federal law that prohibits states from imposing discriminatory taxes on electronic commerce. The proposed tax does just that—it singles out social media companies *because* they operate online and monetize digital engagement. This kind of targeted taxation on internet-based businesses, especially when not equally applied to comparable offline industries, is exactly what the ITFA was enacted to prevent.

Further, by taxing businesses based on user data—which is inherently tied to internet access and usage—this proposal could be construed as a backdoor tax on internet services or digital content. Courts have consistently held that these types of taxes are prohibited. We believe this bill represents an unwise rush toward a policy that is likely to be challenged in court and have already seen this play out in other states. Maryland passed a digital advertising tax that is still tied up in litigation—and has been ruled unconstitutional by one court already. Minnesota should not follow the same costly and contentious path.

Excise taxes such as the one proposed are typically passed on to customers in the form of higher prices. For small businesses in Minnesota seeking to reach new customers, provide direct customer engagement, and elevate brand awareness, this becomes an additional financial cost directly caused by this new tax.

For the reasons highlighted above, we urge you not to enact this new tax policy.

Sincerely,



Joel Crandall
President & CEO
Minnesota Technology Association