

THE
MUNICIPAL
LIQUOR STORE

Volume 76, Number 1, 2017

OFFICIAL PUBLICATION OF THE
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Official publication of the Minnesota Municipal Beverage Association. Published six times annually: September/October, November/December, January/February, March/April, May/June, July/August. For advertising and editorial inquiry contact Paul Kaspszak, Editor, Box 32966, Fridley, MN 55432. Phone 763-572-0222 or 866-938-3925. Advertising rates available upon request. Change of address: List both old and new address.

ON THE COVER

The Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) was a participant at the recent MMBA Annual Conference.

MOFAS board member Laura Bloch, pictured left, next to MOFAS communication director Kim Pleticha wrote MMBA executive director Paul Kaspszak a heartfelt note about her experience.

The letter concluded with, "My friend, you put on a wonderful conference. The people I met were committed to improving their communities and their stores. This group makes me want to shop municipal for the rest of my life!"

Read the complete letter on Page 6.

DIRECTORS

GARY BUYSSE
(President)
Rogers Liquor
22350 South Diamond Lake Road
Rogers, MN 55374
763-428-0163
Rwas0163@embarqmail.com



JOHN JACOBI
(Vice President)
Isanti Liquor
P.O.Box 428
Isanti, MN 55040
763-444-5063
jjacobi@cityofisanti.us



NANCY RAINES
(Sec./Treas.)
Longville Lakes Bottle Shop
P.O. Box 217
Longville, MN 56655
218-363-3249
thebottleshop@arvig.net



TOM AGNES
BC Liquor
5625A Xerxes Ave, North
Brooklyn Center, MN 55430
763-549-3710
tagnes@ecibrooklyn-center.mn.us



CHRIS ARNOLD
Bagley Liquor
P.O. Box 178
Bagley, MN 56621
218-694-2542
carnold@bagleymn.us



JOE AUDETTE
Riverbend Liquor
575- 2nd Ave.
Windom, MN 56101
507-831-6132
jaudette@windomnet.com



KARISSA KURTH
Buffalo Lake Liquor
PO Box 13
Buffalo Lake, MN 55314
320-833-2321
buffalolakeliqors@centurylink.net



BILL LUDWIG
Paynesville Liquor
221 Washburne Avenue
Paynesville, MN 56326
320-250-3325
liquor@paynesvillemn.com



SARAH OLSEN
Mapleton Liquor
P.O. Box 366
Mapleton, MN 56065
507-524-3492
cityofmapleton@hickorytech.net



NANETTE SERBUS
Olivia Liquor
802 East Lincoln Avenue
Olivia, MN 56277
320-523-2730
olivialiquor@olivia.mn.us



BRENDA VISNOVEC
Lakeville Liquor
20195 Holyoke Ave.
Lakeville, MN 55044
952-985-4901
bvisnovvec@ci.lakevillemn.gov



MICHAEL DeBOINIS
The Green Door
PO Box 446
Beaver Bay, MN 55601
218-226-9963
michael.debonis@cityofbeaverbay.com



MMBA President's Message



GARY BUYSSE
President

The face of the liquor industry in Minnesota will change for all of us in less than a month.

For some of us it will seem like only a rhinoplasty; to others a complete facial reconstruction.

My advice is to make the best of it; urine soaked jeans eventually dry and you don't even remember the accident happening at all!

What I'm getting at is mistakes are made at all levels; spending time perseverating on them is a true waste of time.

Our legislative opponents cited many objections to Sunday closure; antiquated blue laws, customer convenience, constitutional right to buy on Sunday, etc.

The argument mentioned frequently by our legislators was the proliferation of the "free market."

The crux of the argument, for those of you are awakening from a long nap, is that government has no business hobbling business.

I understand their position; Karl Marx had some interesting economic viewpoints that also worked to a greater degree without the inclusion of the human element.

Free market economists believe the unfettered marketplace will flourish without government

intervention.

Economists who prefer a regulated market have an opposing viewpoint.

Sometimes the truth lies squarely closer to the center.

Specifically, in my operation and others I have contacted, the second largest soda bottler in the world, Coca-Cola, has decided to charge liquor stores more per unit than big box retailers or grocery stores.

Their mentality is that the cost of delivering to smaller accounts is too great and unprofitable.

I'm inclined to question this rationale due to the relative proximity of liquor stores to grocery or big box stores in most urban centers.

The reality is they are using increased wholesale pricing to fund the discounting they provide to big box accounts across the state.

The two liter bottles that cost me \$1.94 are currently on sale at the big box across the parking lot for \$1.25.

Our twelve packs cost \$5.72; big box price \$3.99!

In this specific situation, the free market has incentivized big box retail and excluded the liquor store across the parking lot in the process.

The supplier has controlled the pricing at lower distribution levels to drive consumers to the large outlet.

The long term impact of this pricing strategy is not definitely clear.

I am forced to either retain a consumer product with no margin or increase my retail to the price point that inhibits sales and destroys the potential for repeat business.

I am concerned further deregulation of our industry will result in similar strategies by our major suppliers to reduce the viability of small business in communities across the country.

Free market economic theory works well with just the right amount of intervention to regulate a modicum of equivalence.

All things will never be equal, nor do I want them to be; just retain the right amount of balance to give all of us the ability to compete.

This is the best strategy for business and consumers alike!

Just want to thank you again for your efforts into the conference, excellent beyond words.

Love listening to Tom Shay,

The Brave New Workshop presentation was great and I would like to see more of that.

Thanks again for all the work.

- MMBA Member

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This Group Makes Me Want to Shop Municipal for The Rest of My Life!

Dear Paul,

I'm writing to thank you for inviting MOFAS (The Minnesota Organization on Fetal Alcohol Syndrome) to be a part of the recent MMBA annual convention.

What an amazing group of people! Both personally, and on behalf of the organization, I felt welcome at every turn.

My involvement at MOFAS is a direct result of the disability my son, Alex, lives with because of prenatal exposure to alcohol.

Several years ago, I made the decision to stop immediately making it clear that I was not the woman who drank during her pregnancy with him.

First, I realized the only time I referred to him as my "adopted son" was when

I was talking about his Fetal Alcohol Spectrum Disorder. I didn't like the distance this created between us, and I felt like it made his disability a shameful thing when I needed to make sure everyone knew that it wasn't my fault.

The truth is he is not my "adopted son," he's my son – unqualified.

Second, through my work with MOFAS, I've met many incredibly brave birth moms and I've realized how easily it could have been me that drank during pregnancy without understanding the consequences.

I will stand with these extraordinary women every chance I get. But I must say that doing so is not without consequence.

The choice to talk about my son's FASD and just leave it at means I often experience the stigma and

judgement that our birth mom's face. And honestly, it's punishing.

I used to look forward to public events with MOFAS where I could share our message of no safe amount of alcohol during pregnancy, and to talk about Alex. But lately, I feel a little weary knowing the negative response I will get from many of the people I talk with.

This was, until I came to MMBA.

Often at events, people will approach our booth and then quickly move on when they realize what we represent.

Your members were just the opposite!

They came to see what materials we had, all were friendly, and most stayed to visit. Many were brainstorming with us on how to best present our materials and message in their locations.

No one, and I mean no one, looked at me sideways when I talked about my son.

In fact, I visited with one father who told me of his own son's FASD and that they ride snowmobile together to give his son a chance to be in driver's seat (he is not able to drive a car). You know that Alex, at 20, still does not possess the skill set necessary to drive a car and I loved the idea that this dad shared!

My friend, you put on a wonderful conference.

The people I met were committed to improving their communities and their stores.

This group makes me want to shop municipal for the rest of my life!

I look forward to next year and to working with your members again.

With gratitude,
Laura Bloch

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20 Ways to Be a Great Bartender

By Tom J. Neff

1) Do everything you can to make your guests happy within the boundaries you have been given.

2) It's not your party. It's not your booze. It's not your bar.

3) You are on stage and people are watching you. Act accordingly. If you are not comfortable with this, find another job.

4) Sleeping with your customers is a great way to lose money.

5) Know what you serve and why. If you work at a beer bar, make sure you know about beer. If you're new and uneducated, pick a few that you can get to know well, and start from there.

6) Learn how to make cocktails. Practice the details.

7) Cash-handling is king. Neat money shows your customers and owners that you are paying attention to their cash.

8) Tips aren't everything. It's a long-term game, so don't sweat the random crappy gratuity from time to time.

9) Insist on proper behavior in your bar, whatever that happens to be. If you let the clientele run your establishment, you will never regain control.

10) Learn how to comp and why

11) Look the part.

12) Control your environment. Is the A/C too high? Is the music too loud? Your clientele's comfort is directly proportional to the number of stars they will give you on Yelp when they walk out the door.

13) Branch out. Make sure you have the skill-sets necessary to deliver what people can reasonably expect in your bar, and work to gain the skills you'll need to succeed at your next job. Because you will have a next job, and it will require more of you.

14) Know a joke. Get good at banter. People pay for booze, but they tip for your service.

15) Keep a clean bar. Turn bottles to face forward. Wipe the bar-top. Straighten the stools. If people think you don't care, they won't either.

16) *Mise en place*. It's a fancy French phrase for how you arrange your tools and ingredients. Set your mise, and do the same thing every time. You can't be fast if you're constantly searching for what you need.

17) Don't touch your face, hair, or any other part of your body. Cough in to the crook of your arm. Sneeze down. Always be seen washing your hands. Don't be disgusting.

18) Open your mouth. Talk to people. Say hello when they walk up and goodbye when they leave. Chat with your clientele, ask how they're doing, even if it's just passing time. Often, that is exactly what people want from you.

19) Keep your mouth shut. Don't offer advice. Don't dominate conversations. Keep yourself to yourself.

20) Behind the bar, you are an illusion, a fantasy, a servant, and an actual person all rolled in to one. Choose wisely which side you choose to present at any given moment.

A New Way to Hire Employees

By MMBA Conference Presenter, Tom Shay

The good news is sales are increasing.

In spite of the opening of one of those super stores in front of the mall in the next town, you are experiencing a solid growth in sales this year.

The bad news is you now need some additional sales help.

Just driving around town, looking at the signs in the windows of businesses, as well as those businesses who have the changeable letter signs, you will see as many "help wanted" signs as you will see "store hours" signs.

The situation could be described as desperate when you see those large banners strapped to the roof of a fast food restaurant offering a \$200 bonus for applicants who "sign on" with the burger place.

Judging from the service you have gotten in many of these places, you are confident the only test administered to their applicants is to place a mirror under their nose to make sure they are breathing.

And yet, your business has built a reputation on providing service, and having knowledgeable employees for your customers.

But where are you going to find this one employee you need, and how can you do so without spending a lot of money to advertise or a lot of time interviewing prospects?

Before you decide the situation is bleak, and you start looking for ways to drive your sales back to their former level, there are a couple of alternatives.

One dealer shared with us a technique he discovered the last time our

economy experienced booming sales. He created business cards for all of his staff.

He took the old design of his card and made the appropriate changes to create the new cards. Every person had a card which included their photograph. Each of the employees had a title. The back of each card also had information about the business.

These three steps were important as he had read where research showed people would hand out twice as many cards when their photo was on them.

The title was necessary as it encouraged his staff to have pride in what they did.

And, the back of the card had an imprint for without it, the back of a business card becomes the necessary notepad for the grocery list or other "need to do" list.

As he distributed the appropriate box of cards to each employee during a staff meeting, he explained their purpose and the incentive for using them.

Now, when one of his employees was shopping in another business, they would be on the lookout for those individuals which still gave quality service.

Whether it was in the grocery store, at the gas station, or the drive thru window at the fast food restaurant, these people were the subject of the "man-hunt."

Upon receiving the quality service, the employee then pulled one of their cards from their wallet or purse, and handed the card to the "candidate."

Their short presentation went something like this, "You know, you have been awfully nice to me today and I greatly appreciate that. My boss told me I should always be on the lookout for someone

like you."

"I don't know if you are happy with your job; you seem to be.

But if you are looking or just interested, the boss is looking for someone new to come and join us.

Let me give you my card. If you are interested, give him a call.

If not, you may know another sharp person such as yourself.

Or then again, you may just throw this card away.

But, thanks for being so kind."

Wow! What a pitch. If you were to receive such a card, even if you are not looking for a job, wouldn't you want to go look at the bookstore just to see what kind of people worked there?

But the incentive is where it really worked.

If an applicant were to walk into the store and told of the business card referral, the "signing bonus" was paid to the employee who found the sharp person.

It was however, paid after the new employee had worked at least 90 days.

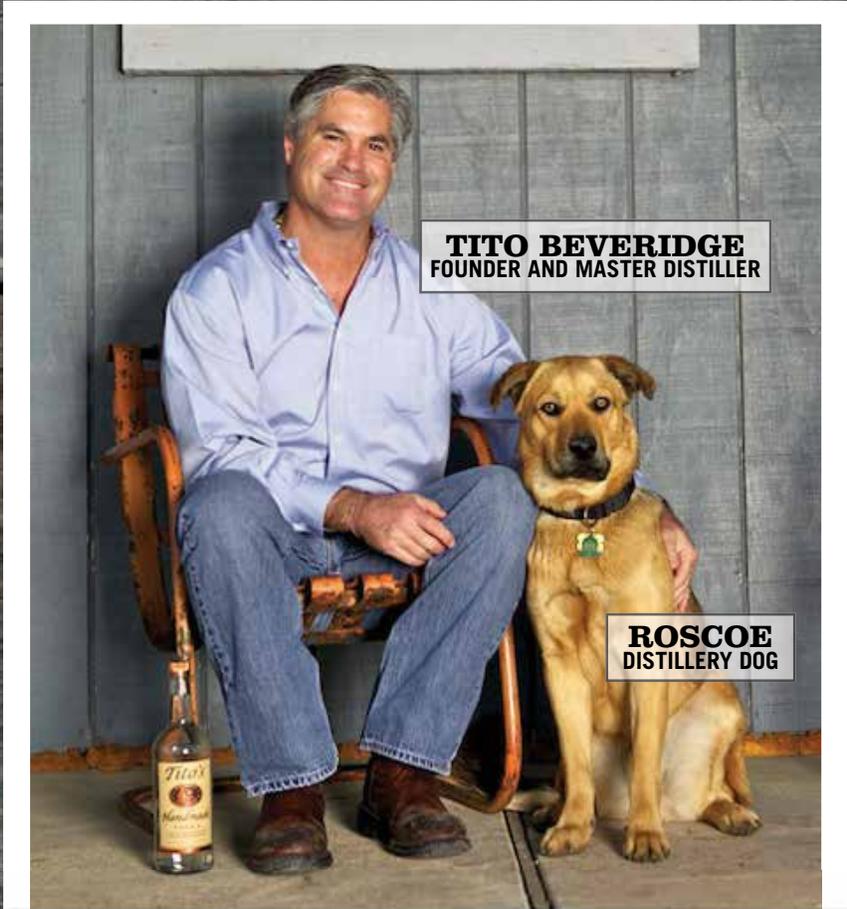
There were two reasons for this angle.

The first is that most people, if they are unhappy with a new job, will leave within the first 3 months.

The second reason is that the original employee now has a financial interest in making sure this employee stays around.

Can't you see the new employee being constantly spoken to by the long term employee to make sure they are doing their job correctly and enjoying their new work place?

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Economics: Does Closing One Liquor Store Hurt State Sales Tax

By Edward Lotterman,
St. Paul Pioneer Press

Mundane daily occurrences often involve some economics, hence the title of this column. The recent to-do over Surdyk's liquor store in Minneapolis defying a state Sunday-closing law is no exception. The owner was promptly fined \$2,000 and his license was suspended for 30 days — effectively closing the store for that period of time.

Editor's Note:

This article was written prior to the final penalties being announced.

Adding insult to irony, the 30-day suspension period begins July 2 — the day the first legal Sunday liquor sales will commence after state lawmakers repealed the 159-year-old ban last month. By jumping the gun, Jim Surdyk will miss the party.

The effects on the overall economy are zero but the response provides good examples to econ teachers like me.

A key economics principle was actually raised in a letter to the editor that argued the loss to the state and federal treasuries of taxes levied on liquor that not would not be sold by the store over 30 days far outweighed the value of the fine. Authorities implicitly were chumps, giving up more than a million dollars in liquor tax revenue from a closed store and getting back only \$2,000. That assertion prompted reader queries to me about which side is correct. Answering that is a perfect intro to the economics of "substitutes and complements."

These are part of the basics of supply and demand and are taught together with "elasticity," a numerical measure of how big a change in quantity is associated with a given change in price. Simple

elasticity questions are: If the price of ground beef drops to \$2.99 per pound from \$3.49, how much will the quantity sold rise? If the price of soybeans goes up 10 percent, how many more beans will Minnesota farmers produce? One of the most important factors determining the sensitivity of these price-quantity interactions is the availability of substitutes, either in consumption, for demand, or in production, for supply.

For example, if the retail price of beef goes up but other meats stay the same, then the quantities of beef people buy will drop substantially. Pork, chicken, turkey and even fish are pretty good substitutes. But if the average price of gasoline goes up, quantities bought do not drop much because there is no ready substitute, especially in the short run.

As the price of corn drops, so does corn production, because the same land, machinery and other inputs can be used

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to grow soybeans. But if the price of milk drops, dairy farms don't cut output because the facilities, feed and equipment for dairy cows cannot be used to produce turkeys, hogs, lambs or eggs. For milk, there are no good "substitutes in production."

So much for the econ lesson. What does this have to do with a liquor store and whether closing its doors for a month really will cut government tax revenues by over a million dollars?

The quick answer is that the letter writer's assertion is certainly wrong. As long as there good substitutes for liquor sold at Surdyk's, total sales to consumers will not fall much, if at all. And there are many good substitutes, namely identical brands sold at dozens of competing stores in the same general geographic area. And starting July 2, on Sundays to boot.

The assertion that the government would lose large amounts of liquor tax revenue if one store is closed for 30 days depends on the assumption that all of this store's customers would suddenly become teetotalers for the entire time the license suspension Real World is in effect. This is preposterous.

People may like a particular location or proprietor, but if that preferred store is not open, they will drive to the next best source, just if they do if the store where they usually buy milk happens to be closed when they need it.

The kicker is that, due in great part to its addictive qualities for some drinkers, overall demand for alcoholic beverages by consumers as a whole is quite inelastic. That is, the total quantities purchased in the entire market do not decline much when retail prices go up.

However, as you move from all alcohol lumped together to individual categories, demand becomes more elastic. That is, if the price of distilled spirits increased by 20 percent while beers and wines stay the same, some people who normally prefer such hard liquor will shift to non-distilled alternatives.

Similarly, if all imported beers go up in price, say because of a decline in the exchange value of the U.S. dollar, then, at the margin, some Corona and Heineken drinkers will switch to domestic brands. And if the price of any individual brand, whether a bourbon, chardonnay or pilsner, rises much against competing brands in the same category, sales will drop sharply.

Liquor is not a "durable good." If you are thinking of buying a new car or clothes dryer and the auto or appliance dealer of choice has to close for a week because of fire damage, it is easy to hold off shopping until they are open again. But most regular drinkers who are out of their favorite liquid are not going to wait 30 days, or even 15 or 5, just to deal with a familiar checkout clerk.

Just as alcoholic beverages are not durable, most are not a "differentiated product" at the level of the store. Yes, dedicated Coors or Jack Daniels drinkers are scornful of other brands. But they don't care if their favorite was bought in Southeast Minneapolis or a few miles away in Roseville.

The idea that the availability of substitutes determines price-setting ability is important. If a higher state minimum wage increases costs at restaurants and supermarkets, only ones located on state lines will be unable to pass most of the increase along to consumers. As long as your competitors costs go up by the same factor as yours, it isn't a big problem, you will not lose business. But if a labor cost increase applies only to the city of St Paul, there are meals and groceries in Roseville, Maplewood, Woodbury and on and on. So St Paul-based businesses would be in a genuine bind.

Similarly, Minnesota farmers are used to seeing hundreds of millions of dollars of their soybeans go to China. But that does not mean China must keep on buying that same quantity regardless of what happens politically or economically. There is a good substitute called

Brazilian soybeans. In contrast, there probably are not very good substitutes for some medical devices manufactured in Minnesota that at least some Chinese can afford. So a trade war or currency fluctuations will not necessarily affect agriculture and medical devices equally. In general, commodities, by definition, have good substitutes and their producers are more vulnerable to purchasers going elsewhere.

One footnote: No one seems to be paying attention to Surdyk's employees. Will they all get regular paychecks and just paint stripes in the parking lot or sealcoat the warehouse floor for 30 days? Or will most be laid off? If so, they are the real victims of a scowflaw boss. But, at the margin, workers at other liquor outlets in the general area may get more hours and the store owners will have greater sales and profits that may be reinvested or spent. The economy of the metro area won't suffer at all. Nor will the treasury at any level of government.

One final point: We don't know a lot about why consumers are loyal to familiar brands or familiar stores. Some of it is the expense of getting information about the desirability of new competitors. Some is the psychological security of familiar actions or things. But if our favorite store closing for 30 days forces us to the effort of going elsewhere, the information we gain may convince us it really is easier to buy at that new big box liquor outlet near our home than to go back to the store we started going to as students. To what extent this erosion of loyalty to the Surdyk's brand occurs or persists after July 31 will be an interesting experiment.

St. Paul economist and writer Edward Lotterman can be reached at stpaul@edlotterman.com.

***Listen, listen,
listen***

Food and Food Ingredients

Also See Fact Sheets 102B, 102C, 102D and 102E

102A

Sales Tax
Fact Sheet

Food and food ingredients are exempt. *Food and food ingredients* mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value.

Examples of nontaxable food and food ingredients

The following items are generally exempt. However, if any of these items are prepared by the seller, sold with eating utensils provided by the seller, or sold through vending machines, they are taxable.

- baking powder
- baking soda
- beverage powders (unless dietary supplement)
- bread
- cakes and cake icing
- cereals
- cereal bars with flour
- chip dip
- chips (potato, corn, etc.)
- cocoa
- coffee
- condiments
- cookies
- cooking oil
- dairy products
- dried fruit (without sweeteners)
- eggs
- fish
- flavorings
- flour
- food coloring
- frozen meals
- fruit juices (more than 50% juice)
- fruits
- gelatin
- granola
- gravies
- herbs (seasoning)
- ice cream, sherbet, and frozen yogurt, including prepackaged novelties
- ice cubes or blocks
- malted milk powder
- margarine
- meat
- nuts
- peanuts
- pies
- popcorn
- popsicles
- poultry
- pumpkins
- raisins
- relishes
- saccharin
- salad dressing
- salt
- sauces
- seasonings
- shortening
- spices
- spray candy
- sugar (including colored)
- sunflower seeds
- sweeteners
- tea (bags, leaves, or powdered)
- trail mix (prepackaged with candy)
- vegetables
- water

Taxable items

The exemption for *food and food ingredients* does not include candy, soft drinks, food sold through vending machines, prepared foods, alcoholic beverages, dietary supplements, and tobacco. Following is a list of items that are taxable because they fall into these subcategories that are specifically excluded from the food exemption. The taxable subcategory is noted in parentheses.

- baking chips, sweetened
- baking bars, candy-coated items (candy)
- beer (alcoholic beverage)
- beer nuts (candy)
- breath mints (candy)
- cake decorations (candy)
- cereal bars without flour
- dried fruit with sweeteners (candy)
- fruit drinks with 50% or less fruit juice (soft drink)
- gum (candy)
- herbal supplements (dietary supplement)
- honey roasted and honey coated nuts (candy)
- marshmallows (candy)
- party trays (prepared food)
- soda pop (soft drinks)
- sweetened baking bars or chips (candy)
- sweetened bottled water (soft drink)
- tea (with “supplement facts” label)
- tobacco products, except cigarettes which are not taxed at retail (tobacco)
- vitamins and minerals (dietary supplement)

Gift baskets and other combination packages (bundled transactions)

When a bundled transaction includes food and food ingredients special rules apply and the sale may or may not be taxable. The sale is taxable if:

1. the seller’s purchase price of the taxable items in the transaction is more than 50% of the total purchase price of all of the items in the transaction, or
2. the seller’s sales price of the taxable items in the transaction is more than 50% of the total sales price of the transaction.

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Sellers cannot use a combination of the purchase price and sales price when making the 50% determination for a transaction.

Use tax is due on the seller's cost of taxable items included in the bundle if:

- 1) the retail sale of the bundled transaction is not taxable, **and**
- 2) the seller's purchase price of all taxable items in the bundled transaction is more than \$100.

Example 1. A grocery store assembles and sells fruit baskets. The store purchases the baskets for \$5.00 each and puts a variety of fruit into each basket that cost the store \$7.00 per basket. Each fruit basket is sold for \$20.00. Sale of the fruit baskets are not taxable, because the taxable item (the basket) costs less than 50% of the total purchase price of all of the items in the transaction. The store does not owe use tax on the purchase of the fruit baskets, because the store's purchase price of the basket included in each sale is less than \$100.00.

Example 2. A children's store makes gift packages for new parents. The package sells for \$300.00 and includes baby formula and other nontaxable items along with a baby monitor and a car seat. The transaction qualifies for the 50% test because baby formula is a food or food ingredient. The store uses its purchase price of the items in the transaction to determine the taxable percentage of the sale. The store's purchase price of the nontaxable items in the gift package is less than 50% of the total purchase price of all the items in the package so the sale of the gift package is taxable. Since the retail sale is taxable, the store does not owe use tax on the taxable items included in the gift package.

Example 3. Same as Example 2, except that the store's purchase price of the taxable items in the package is less than 50% of the total purchase price of all the items in the package. However, the cost of the taxable items in the package is more than \$100.00. In this situation, the sale of the gift package is not taxable, but the store owes use tax on their cost of all taxable items included in the gift package.

References

M. S. 297A.61, Subd. 3(d), Definitions
M. S. 297A.61, Subd. 31, Prepared food
M. S. 297A.61, Subd. 32, Soft drinks
M. S. 297A.61, Subd. 33, Candy
M. S. 297A.61, Subd. 34, Food sold through vending machines
M. S. 297A.61, Subd. 38, Bundled transaction
M. S. 297A.63, Subd. 1(d), Use of tangible personal property or taxable services
M. S. 297A.67, Subd. 2, Food and food ingredients
M. S. 297A.67, Subd. 32, Cigarettes
MN Rule 8130.4700, Prepared Food, Candy, and Soft Drinks
MN Rule 8130.4705, Food Sold with Eating Utensils

Fact sheets that may be of interest:

Candy, #102B
Soft Drinks and Other Beverages, #102C
Prepared Food, #102D
Dietary Supplements, #102E
Food Stamps, #115
Local Sales and Use Taxes, #164
Restaurants and Bars, #137
Vending Machines and Other Coin-Operated Devices, #158

Access to Employee Restrooms

Did you know that Minnesota is one of about 14 states that has enacted a law to allow access to employee-only restrooms by customers in some circumstances?

“Ally’s Law” is named for Ally Bain, a 14-year-old girl from Illinois who suffered a flare-up of Crohn’s disease while shopping at a large retail store and was subsequently denied use of the employee-only restroom, causing her to soil herself. Bain’s mother vowed it would never happen to anyone else.

The two worked with Illinois State Representative Kathy Ryg to draft a bill, which was signed into Illinois law in 2005.

Minnesota enacted our version of the law in 2007, (Minnesota Statute 325E.60) although it has gotten

relatively little publicity.

The law requires businesses that have restrooms for employee use to also allow public use under some circumstances.

Most hospitality businesses have public restrooms and don’t fall under the bathroom access law.

A few small coffee shops or limited service hotels or resorts may be impacted and should know the requirements.

The law is specific and quite limited in its application:

A retail establishment that has a restroom facility for its employees shall allow a customer to use that facility during normal business hours if

the restroom facility is reasonably safe and all of the following conditions are met:

- (1) the customer requesting the use of the employee restroom facility suffers from an eligible medical condition or uses an ostomy device, provided that the existence of the condition or device is documented in writing by the customer’s physician or a non profit organization whose purpose includes serving individuals who suffer from the condition;
- (2) three or more employees of the retail establishment are working at the time the customer requests use of the employee restroom facility;
- (3) the retail establishment does not normally make a restroom available to the public;
- (4) the employee restroom facility is not located in an area where providing access would create an obvious health or safety risk to the customer or an obvious security risk to the establishment; and
- (5) a public restroom is not immediately accessible to the customer.

Does this mean that a business cannot limit the use of its public restrooms to guests? No, except that a person with a documented medical condition covered by the law should be allowed to use a restroom, even if they are not a guest.

Our liquor manager was very excited about the conference and is already putting some of the things that she learned from the conference into action.

- MMBA Member Mayor

Platinum Member

Anheuser-Busch, Inc.

Contact: Michael Maxwell
Cell: (816) 806-2305
E-mail: michael.maxwell@anheuser-busch.com

Beam Suntory

Contact: Justin Ashton
Phone: (612) 961-1476
E-mail: justin.ashton@beamsuntory.com

MillerCoors Brewing Company

Contact: Jon Chance
Phone: (612) 718-6862
E-mail: jon.chance@millercoops.com

Shamrock Group

Contact: Steve Kelly
Phone: (612) 824-9600
E-mail: steven@shamrockgroup.net

National Alcohol Beverage Control Association

Contact: Jim Sgueo
Phone: 703-578-4200
E-mail: jim.sgueo@nabca.org

Ste. Michelle Wine Estates

Contact: Randy Dobratz
Phone: (952) 250-9837
E-mail: randy.dobratz@smwe.com

Sutter Home Winery

Contact: Bryan Pearson
Phone: (763) 443-9664
E-mail: bpearson@tfewines.com

Gold Member

Arctic Glacier Ice

Contact: Jon Stelley
Phone: (651) 455-0410 ext. 213
E-mail: jstelley@arcticglacierinc.com

Crow River Winery

Contact: Chelsey Schrupp and Janessa Markgraf
Phone: 320-587-2922
E-mail: crowriverwinery.com

Midwest Hospitality Solutions

Contact: Dave Putz
Toll Free: (866) 904-6527
E-mail: www.midwesthospitalitysolutions.net

Phillips Distilling Company

Contact: Steve Vogl
Phone: (320) 291-1280
E-mail: svogl@phillipswineandspirits.com



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Phone: (866)504-5800
E-mail: chad@asiatm.net

Bacardi USA

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E-mail: gfaamodt@bacardi.com

Brown-Forman

Contact: Aaron Vreeland
Phone: (320) 290-2766
E-mail: avreeland@thehiveinc.com

Catalyst North America

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E-mail: GlennDrovercatalystdirect.com

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Phone: (763) 295-3347
E-mail: nick@dahlh.com

Bellboy Corporation

Contact: Pat Bushard
Phone: (952) 544-8178
E-mail: patrick@bellboycorp.com

BreakThru Beverage Minnesota

Contact: Brad Redenius
Phone: (651) 646-7821
E-mail: Bredenius@breakthrubev.com

Crystal Springs Ice

Contact: Tom Valvoda
Phone: (866) 629-6267
E-mail: crystalsprings@live.com

Dailey Data & Associates

Contact: Mary Dailey
Mobile: (612) 275-9900
Web: <http://daileydata.com/>

Delaney Consulting

Contact: Flora Delaney
Phone: (612) 730-7941
E-mail: flora.@floradelaney.com
Contact: Jim Langemo
Phone: (612) 423-5132

Diageo Guinness USA

Contact: TJ Shindeldecker
Phone: (574) 514-5188
E-mail: tjshindeldecker@diageo.com

Diageo Spirits and Wine

Contact: Paige Gibbons
Cell: (214) 783-8583
E-mail: paige.gibbons@diageo.com

Electronic Game Solutions, Inc

Contact: Shelly Borowicz
Phone: (218) 790-2990
E-mail: sborowicz@egsol.com

FuturePoint Solutions

Contact: Bruce Anderson
Phone: (612) 375-1200
E-mail: Bruce@futurepoint.us

Electronic Game Solutions, Inc

Contact: Shelly Borowicz
Phone: (218) 790-2990
E-mail: sborowicz@egsol.com

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Contact: Karen Lamb
Phone: (763)607-0286
E-mail: karen.lamb@e-hps.com

Independent Merchant Services

Contact: Brian Roering
Phone: (302) 290-6433
E-mail: bkrholdings@yahoo.com

Illinois Casualty Company

Contact: Howard Beck
Phone: (309) 781-4776
E-mail: HowardB@ilcasco.com

Jackson Family Fine Wines

Contact: Laura Ulmen
Phone: (612) 201-7010
E-mail: laura.ulmen@jfwmail.com

J.J. Taylor Distributing Company of Minnesota, Inc.

Contact: Chris Morton
Phone: (651)482-1133
E-mail: christopher_morton@jttaylor.com

Johnson Brothers Liquor Company

Contact: Michael Johnson
Phone: (651) 649-5800
E-mail: mjohanson@johnsonbrothers.com

KLB Insurance Agency

Contact: Kim Brown
Phone: (651) 730-9803
E-mail: kim@klins.com

Life Media, Inc.

Contact: Mike Juszcak
Phone: (612) 920-5433
E-mail: mike@lifemediainc.com

Mike's Hard Lemonade

Contact: Brady Blaska
Cell: (651) 280-7160
E-mail: bblaska@mikeshardlemonade.com

Naylor Heating & Refrigeration

Contact: Bill Haugse
Phone: (218)-444-4328
E-mail: bill@naylorhvac.com

Palm Bay International

Contact: Dominic M. Giuliani
Phone: (763) 607-2556
E-mail: dggiuliani@palmbay.com

Paustis Wine Company

Contact: Scott Lindman
Phone: (218) 760-8199
E-mail: SLindman@paustiswine.com

Pabst Brewing Company

Contact: Alex Merrick,
Phone: (651) 303-3072
E-mail: amerrick@pabst.com

Pernod Ricard USA

Contact: Jeff Jara
Phone: (612) 860-5190 Mobile
E-mail: jeff.jara@pernod-ricard-usa.com

Pro-Tec Design

Contact: Tim Ferrian
Phone: (763) 231-6855
E-mail: tferrian@pro-tecdesign.com

Polar Beverage

Contact: Mike Wurst
Phone: (612) 310-8109
E-mail: mwurst@polarbev.com

Retail Information Technology Enterprises

Contact: Rick Feuling
Phone: (320) 230-2282
E-mail: rick@rite.us

Stan Morgan & Associates

Contact: Skip Troyak
Phone: (952) 474-5451
E-mail: sales@stanmorganasso.com

Triple Crown Gaming

Contact: Jillian Poganski
Phone: (320) 333-3148
E-mail: jillian@triplecrowning.net

U.S. Bank Government Banking

Contact: Jennifer Vucinovich
Phone: (651) 466-8750
E-mail: jennifer.vucinovich@usbank.com

Vinocopia

Contact: Marion Dauner
Phone: (612) 455-4000
E-mail: marion@vinocopia.com

Zabinski Business Services, Inc.

Contact: Paul D. Zabinski
Phone: (320) 286-1494
E-mail: zbsonsite@yahoo.com

Bronze Member

Bernick's

Contact: Gary Barby
Phone: (320) 252-6441
E-mail: gbarby@bernicks.com

Summit Brewing

Contact: Mark Stutrud
Phone: (651) 265-7800
E-mail: mstutrud@summitbrewing.com

The Wine Company

Phone: (651) 487-1212
Web: www.thewinecompany.net

Waterville Food & Ice

Contact: Bernie Akemann
Phone: (507) 362-8177

Supporting Member

C. Mondavi and Family

Contact: David Buchanan
Phone: (815) 762-0643
E-mail: dbuchanan@mondavi.com

C & L Distributing

Contact: Joe Dick
Phone: (320) 235-7375
E-mail: jdick@budtime.com

Carlos Creek Winery

Contact: Tamara Bredeson
Phone: (320) 846-5443
E-mail: tami@carloscreekwinery.com

Chankaska Creek Ranch and Winery

Contact: Jane Schwickert
Phone: (507) 931-0089
E-mail: janes@chankaskawines.com

Chopin

Contact: Jeff Dechiro
Phone: (612) 799-4016
E-mail: jdechiro@chipinodka.com

CNH Architects

Contact: Wayne Hilbert
Phone: (952) 431-4433
E-mail: whilbert@cnharch.com

Delicato Family Vineyards

Contact: Kimberly VanHeusden
Phone: (612) 200-7952
Web: kimberly.vanheusden@dfywines.com

Edrington Americas

Contact: Todd Wooters.
Phone: (651) 302-0438
E-Mail: Toddwooters@edrington.com

Heartland Wine Sales of Minnesota

Contact: Steve Holman
Phone: (320) 250-6888
E-mail: steve@heartlandwinesales.com

Edrington Americas

Contact: Todd Wooters.
Phone: (651) 302-0438
E-Mail: Toddwooters@edrington.com

Francis Ford Coppola Winery

Contact: Lindsay Pierce
Phone: (312) 282-5003
E-mail: lindsay.pierce@ffcpresents.com

Heaven Hill

Contact: Scott Bjerva
Phone: (612) 839-6332
E-mail: sbjerva@heavenhill.com

Locher Brothers, Inc.

Contact: Tim "Jonesy" Hukriede
Phone: (507) 326-5471
E-mail: jonesy@locherbros.com

Luxco

Contact: Erik Hage
Phone: (852) 270-7051
E-mail: e.hage@luxco.co

Madison Bottling Co.

Contact: Dave Bergerson
Phone: (320) 598-7573
E-mail: dbergerson@madisonbottling.com

Minnesota State Lottery

Contact: Amy Jaeger
Phone: (651) 635-8233
E-mail: amyj@mnlottery.com

Molecule Marketing

Contact: Molly Nicholson
Phone: (612) 242-1887
E-mail: molly@molecule.marketing

Monetto USA

Contact: Matt Marani
Phone: (708) 528-1361

mPower Beverage Software

Contact: Kris Perez
Phone: (877) 396-0141
E-mail: kperez@mpowerbeverage.com

Paulet Slater Insurance

Contact: Jeff Stanley
Phone: (651) 644-0311
E-mail: jstanley@pauletslater.com

Pro-Tec Design

Contact: Kathleen Beltz
Phone: (763) 233-7422
E-mail: kbeltz@pro-tecdesign.com

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Contact: Dustin Tomoson
Phone: (320) 763-9368

Round Lake Vineyards & Winery

Contact: Jenny Ellenbecker
Phone: (507) 945-1100
E-mail: jenny@ellcom.us

Russian Standard

Contact: Jessica Reuwer
E-mail: Jessica.reuwer@roust.com

Scenic Sign Corporation

Contact: Daryl Kirt
Phone: (612) 239-6624
E-mail: daryl@scenicdesign.com

Sunny Hill Distributing

Contact: Mike Baron
Phone: (218) 263-6886

Treasury Wine Estate

Contact: Mike Elling
Phone: (612) 9792
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