

## House and Senate Local Lodging and Food and Beverage Tax Provisions in H.F. 2125

**Lodging and Food and Beverage Taxes Background:** Notwithstanding the general prohibition on local sales taxes, Minnesota Statutes, section 469.190, allows cities, towns, and counties (in unorganized territories in a county) to impose up to a three percent lodging tax. Ninety-five percent of the proceeds from the tax must be used to fund a tourism or convention bureau. A number of cities also have special laws allowing them to impose a local lodging tax in addition to or in place of the general lodging tax. Several cities have special laws allowing a food and beverage tax. Generally a referendum has not been required in order to impose these special taxes nor do they usually have an expiration date. Most lodging taxes have gone to fund either tourism or convention center promotion or various capital projects. Food and beverage taxes have been used to fund both construction and operations of various capital projects.

Side-by-side page	House/Senate	Type of tax	Government entity	New tax?	Tax rate	Description / Differences
52	Art. 7, sec. 6/ Art. 6, sec. 7	Lodging	Minneapolis	No	Allows rate to increase by 0.875%	Under the current cap on total taxes the city may only impose the tax at a rate of 2.125% out of its authorized 3.0% due to increases in county and state general sales tax rates. <b>The House removes the cap on the total tax.</b> <b>The Senate increases the cap to allow the city to increase the rate to 3.0%.</b>
52	Art. 7, sec. 7/ Art. 6, sec. 8	Lodging	St. Paul	No	Increase from 6% to 7% on large facilities	The city currently has a 3% tax on all lodging and a 6% tax on lodging with 50 or more rooms. Only the rate on large facilities is raised. No change in use of revenues (tourism and convention center funding) <b>Same in both House and Senate.</b>
52, 55	Art. 7, sec.8, 23/ Art. 6, sec. 9, 24	Lodging	Lake County  Two Harbors	Yes  No	4%  Reduce from 3% to 1%	Revenues from the county tax are dedicated 75% to county promotion, 25% for promotion of events and festivals in local communities. The city plans to eliminate its current general law lodging tax while maintaining its special lodging tax of 1% after the county imposes the county lodging tax authorized in the bill. <b>Same in both House and Senate.</b>
55	Art. 7, sec. 22/ Art. 6, sec. 23	Lodging	La Crescent	Yes	2%	City, which currently has no lodging, is allowed to impose a 2.0% sales tax in addition to the 3% tax allowed in statute. <b>House requires revenue from extra tax to be split between the city chamber of commerce and the La Crescent Tourism Board; the Senate does not, and would cap the total lodging tax rate in the city at 5%.</b>
56	House Art. 7, sec. 26 only	Lodging	Plymouth	Yes	3%	House allows the city to impose an extra 3% local lodging tax for five years, in addition to the 3% lodging tax allowed under general law. Two thirds of the revenues from this special tax must be used for capital improvements to public recreational facilities and for marketing and promotion and the remaining one-third must be used to fund a local convention or tourism bureau. <b>No Senate provision.</b>
55	Art. 7, sec. 24/ Art. 6, sec. 25	Food and beverage	North Mankato	Yes	1.0%	Revenue to be used for operations, maintenance and capital expenses for the Casewell Regional sporting complex and costs related to regional tourism events. <b>Same for House and Senate.</b>
56	Senate Art. 6, sec. 28 only	Food and beverage	Sartell	Yes	1.5%	Senate allows the city to use the revenue for capital or operational costs for new and existing recreational facilities and amenities in the city. The tax terminates five years after first imposed. <b>No House provision.</b>