

## Executive Summary

This publication focuses on special local sales taxes imposed by local jurisdictions, including: food and beverage taxes, amusement taxes, entertainment taxes, and lodging taxes. This publication also briefly discusses the requirement that any special law authorizing a special tax be approved by the local government imposing the tax.

[Minnesota Statutes, section 477A.016](#), prohibits a local government from imposing its own sales tax, and there is no other statutory authority for local governments to impose these taxes. Thus, a city, county, town, or other taxing authority seeking to impose a special local sales tax must seek legislative authorization through a special law before the local tax is imposed.

Because there is no statutory authority governing these special taxes, each authorizing special law is unique and customizable to the needs of the taxing jurisdiction seeking to impose the tax. The taxing jurisdiction may propose the characteristics of the tax such as the tax rate, tax base, where the tax is imposed, any exemptions from the tax, the use of revenues derived from the tax, and whether a referendum is required before the tax may be imposed. However, the legislature has final authority for defining these characteristics in the special law that authorizes the tax.

The local lodging tax, however, is separately authorized by [Minnesota Statutes, section 469.190](#), and is discussed in more detail towards the end of this publication.

## Food and Beverage Taxes

This type of special tax is typically imposed on the sale of prepared food and beverages sold at a restaurant or other place of refreshment within the jurisdiction imposing the tax. These may include alcoholic beverages, and may even only apply to food.

Examples of establishments where the tax may be imposed include:

- Bars and pubs
- Cafés and coffee houses
- Clubs
- Concession stands
- Restaurants (sit-down, takeout, and delivery)
- Vendors and food trucks

The authorizing special law typically specifies the allowed use of funds derived from the tax. Most commonly the proceeds are used to fund capital or operational costs for new or existing capital projects, such as a recreation facility.

## Amusement Taxes

This type of special tax is typically imposed on events related to recreation or entertainment activities, depending on the specificity of the authorizing special law. For example, this type of tax may be imposed on admissions to entertainment and recreational facilities as well as the rental of recreation equipment tied to the facility or activity.

Examples of establishments where the tax may be imposed include:

- Amusement parks
- Athletic fields
- Bowling alleys
- Campgrounds
- Concerts
- Ice rinks and golf courses
- Movie theaters
- Parks and trails
- Ski areas
- Swimming pools

Most commonly the proceeds are used to fund capital or operational costs for new or existing capital projects, such as a recreation or entertainment venue.

## Entertainment Taxes

This type of special tax is similar and may be interchangeable with the amusement taxes described above. However, depending on the language of the special law, these taxes may differ in that they apply only to admissions to entertainment events (i.e., concerts, sporting events, theatrical performances, etc.) rather than recreational activities.

Typically, tax proceeds may fund capital or operational costs for new or existing entertainment venues.

## Lodging Taxes

Unlike the other special taxes discussed in this publication, local lodging taxes are statutorily authorized and do not need legislative approval before implementation. [Minnesota Statutes, section 469.190](#) authorizes cities and towns to impose a lodging tax of up to 3 percent on the gross receipts from lodging accommodations, so long as the stay is less than 30 days. For example, the lodging tax applies to stays at hotels, motels, resorts, and other short-term rentals (including vacation rentals such as an AirBnB or VRBO).

[Section 469.190](#) requires that 95 percent of the proceeds derived from the tax must be used to fund the imposing jurisdiction's local convention or tourism bureau and advertising efforts. The taxing jurisdiction may use the remaining 5 percent to cover administrative costs. The law does not impose a referendum requirement, thus once the tax is locally authorized by ordinance, the tax may take effect.

A city or town seeking to impose a lodging tax above 3 percent or to use the funds for purposes other than promotion of tourism, must obtain legislative authorization and a special law must be enacted.

For more information on local lodging taxes, please see the House Research publication “[Local Lodging Taxes in Minnesota](#).”

## Local Approval

Once the special law authorizing a tax described in this publication is enacted, the local taxing jurisdiction must comply with the local approval requirements of [Minnesota Statutes, section 645.021](#).

The law requires the governing body of the local government to adopt a resolution by majority vote of all members approving the special law. Next, the local government must file a certificate with the secretary of state stating that the special law is approved by resolution and provide information necessary to verify its approval. The certificate must be filed before the first day of the next regular session, otherwise the special law is deemed unapproved and the special tax may not be imposed.

For more detailed information on the local approval process, please see the House Research publication “[Special Legislation](#).”



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