

## Minneapolis Special Local Taxes

164M

Sales Tax Fact Sheet 164M

Fact Sheet

### What's new in 2017

Starting October 1, 2017:

- The Minneapolis Lodging Tax rate decreased from 2.625 percent to 2.125 percent.
- Hennepin County has their own Transit Sales and Use Tax of 0.5 percent. The five county Transit Improvement Tax ended September 30, 2017.

This fact sheet describes the special local taxes that are imposed in Minneapolis. These taxes are administered by the Minnesota Department of Revenue.

### Minneapolis Entertainment Tax (applies city wide)

The 3 percent entertainment tax applies to:

- admission fees
- the use of amusement devices and games
- food, drinks, and merchandise sold in public places during live performances
- short-term lodging within the city limits

This tax is in addition to the:

- 6.875% state general rate sales tax
- 0.15% Hennepin County Sales Tax
- 0.5% Hennepin County Transit Sales Tax\*
- 0.5% Minneapolis Sales Tax

**Note:** The Minneapolis lodging, restaurant, and liquor taxes may also apply.

\*The 0.25% Transit Improvement Sales Tax ended on September 30, 2017.

#### Admission fees

Admission fees to athletic events or other places in Minneapolis where entertainment is provided, such as theaters, concert halls, circuses, and fairs, are subject to the 3 percent Entertainment Tax. The entertainment tax applies regardless of where tickets are purchased or reservations are made.

The entertainment tax applies to admission and delivery fees but does not apply to convenience fees that are separate charges from the admission.

#### Example

- An online ticket seller adds separate charges for delivery and a convenience fee to the price of an admission ticket for a play in Minneapolis. The Minneapolis Entertainment Tax applies to the admission and delivery charges, but does not apply to the convenience fee. The entire charge, including the convenience fee, is subject to the rest of the applicable taxes.

**Note:** The entertainment tax does not apply to reservations made or tickets purchased in Minneapolis for events outside the city limits.

#### Cover or minimum charges

A cover or minimum charge (collected at the door or later) give the customer access to dancing, entertainment, or the option to buy meals, drinks, or other items. Cover and minimum charges are admissions and are subject to the entertainment tax.

#### Use of amusement devices and games

Entertainment tax applies to the charge to use amusement devices or games in Minneapolis. They may be located indoors or outdoors and include items such as jukeboxes, video games, pool tables, or carnival rides.

Examples of items subject to the entertainment tax:

- Athletic event admissions (except regular season school games for grades 1 – 12)
- Bowling fees
- Carnival or fair admissions

- Carnival rides (merry go-rounds, bumper cars, etc.)
- Dance ballrooms or pavilion admissions
- Jukeboxes
- Motorbike, bicycle, skate, trampoline, canoe, and other boat fees and rentals at amusement parks and similar places
- Movie theater, stage show, and play admissions
- Musical concert admissions (unless exempt as an artistic performance sponsored by a non-profit arts organization)
- Poll or billiard table fees
- Video or pinball machines, shuffle board, or dart board fees

### Items not subject to the entertainment tax

Certain sales and services are not subject to the Minneapolis Entertainment Tax, these include:

- Coat, hat, and luggage checking services
- Membership dues to country clubs, golf clubs, curling clubs, even if the membership entitles the member to use the club's athletic facilities
- Charges to ride aircrafts, buses, trains, boats, limousines, or taxis
- Charges for sightseeing rides and tours
- Fees for use of athletic facilities, for example health clubs, swimming pools, golf facilities, skate or ski facilities

### Lodging

Entertainment tax applies to all lodging accommodations and related services within Minneapolis.

However, the entertainment tax does not apply to lodging when:

- the room rental is more than 30 days, and
- there is a written rental agreement requiring the customer or owner to give notice before ending the rental

Taxable related services subject to the entertainment tax include:

- pay per view in-room movies and video games
- room service
- purchases from in room minibars and
- other items related to using the room for lodging

**Note:** These items are also subject to the other applicable sales taxes imposed within Minneapolis. See the Minneapolis tax combinations chart on page 7.

Minneapolis Entertainment Tax applies to *all* short-term lodging accommodations. The Minneapolis Lodging Tax only applies to lodging establishments with more than 50 rooms.

### Purchases during live performances

The entertainment tax applies to the following sales during live performances:

- food and drinks
- catering services
- merchandise sold in public places during live performances, including intermissions

Food, drinks, and merchandise include:

- catering services
- sales of beer and other alcoholic beverages
- other items subject to sales tax

### Public places

Public places can be operated for profit or not and include:

- bars
- restaurants
- halls
- hotels
- coffeehouses

The entertainment tax does not apply at private clubs or other places where membership is required for admission and service.

### Live entertainment

Live entertainment includes but is not limited to:

- music (with or without dancing)
- comedians
- magicians

Live entertainment does not include:

- sporting events
- karaoke
- jukeboxes
- disc jockeys playing recorded music

An admission or cover charge that entitles the customer to entertainment, dancing, or the option to buy meals, drinks, or other items is always subject to the entertainment tax.

All meals, drinks, and other items sold during the time there is an admission or cover charge are subject to the entertainment tax if live entertainment is provided, even during intermission.

If there is not an admission or cover charge and the facility provides live entertainment, the entertainment tax is imposed on food, refreshments, services and merchandise ordered during the period of live entertainment, including intermissions.

The entertainment tax applies to these items only when they are sold at public places during live entertainment.

The state and local sales taxes apply to these items at all times.

### Entertainment and refreshments in separate rooms

Food, drinks, or merchandise sold in a different room from one in which live entertainment is provided are not subject to the entertainment tax if the two rooms are separate business operations.

### Examples

The examples below are subject to state general rate, Hennepin County Sales Tax, Hennepin County Transit Sales Tax (0.5%)\*, and Minneapolis Sales Tax. The entertainment tax applies as indicated.

**Note:** The downtown liquor and restaurant taxes explained previously also apply if the establishment is located in the downtown taxing area.

\*The 0.25% Transit Improvement Sales Tax ended on September 30, 2017.

- A VFW post operates a room where food and beverages are sold and live entertainment is provided. If the general public is admitted, food and beverages sold to customers during the live entertainment are subject to entertainment tax. If the general public is not admitted, the sales are not subject to entertainment tax.
- A bar sells drinks and provides space for dancing to a jukebox. The drinks are not subject to entertainment tax. If the bar requires a

cover or minimum charge, entertainment tax applies to that charge, but not to the drinks.

- A bar hires musicians for live performances three nights a week from 7 to 11 p.m. All food and drinks sold from 7 to 11 p.m. during the nights of live performance are subject to entertainment tax. Sales before 7 p.m. and after 11 p.m. are not subject to entertainment tax. All admission charges, including those for nights when there is no live entertainment, are subject to entertainment tax.
- A hotel maintains three separate refreshment rooms:

**In the Hotel Cafe,** customers are served food and beverages. Entertainment here is ordinarily jukebox music, but on some occasions, customers are treated to live music during the evening meal. Entertainment tax applies to meals and drinks served during the live performances. Sales at all other times are not subject to entertainment tax.

**In the Hotel Bar,** customers are served alcoholic beverages. Entertainment is jukebox music. The bar is operated as a separate entity from the Hotel Cafe, although customers may pass freely from one room to the other. Entertainment tax does not apply to drinks sold in the bar, even when live music is played for customers in the Hotel Cafe.

**In the Hotel Night Club,** customers are served alcoholic beverages and are entertained by a comedian. Customers pay a cover charge to enter the nightclub. All sales in the nightclub, including the cover charges, are subject to entertainment tax.

## Minneapolis Lodging Taxes (apply city wide)

Starting October 1, 2017, the Minneapolis Lodging Tax is 2.125 percent. The Lodging Tax rate decreased from 2.625 percent to 2.125 percent.

Minneapolis Lodging Tax only applies to charges for lodging accommodations at hotels and motels with more than 50 rooms available for lodging within Minneapolis city limits.

Lodging tax is in addition to:

- 6.875% state general rate sales tax
- 0.15% Hennepin County Sales Tax

- 0.5% Hennepin County Transit Sales Tax\*
- 0.5% Minneapolis Sales Tax and the
- 3% Minneapolis Entertainment Tax

\*The Transit Improvement Sales Tax ended on September 30, 2017.

Separate charges for taxable lodging related services associated with the room rental (pay per view movies, video games, room service, etc.) are not subject to the lodging tax.

### Long-term lodging

Lodging rentals are not subject to the state, local, or Minneapolis lodging taxes, when:

- the room rental is more than 30 days
- there is a written rental agreement requiring the customer or owner to give notice before ending the rental

### Rooms for non-lodging purposes

Renting a room for a use other than lodging are not taxable. For example, leasing a hotel room for a business meeting.

#### Examples

- A guest registers at a hotel and stays for five weeks. Although the guest stayed more than 30 days, state, local, and lodging sales taxes

apply because there was no written rental agreement.

- A hotel rents suites under monthly written rental agreements that require a 30-day notice to terminate. State, local, and lodging sales taxes do not apply.
- An apartment is rented on a weekly basis. State, local, and lodging sales taxes apply because the rental period is less than 30 days.
- A company rents a room in a hotel on a monthly basis for occasional use by its employees. The written agreement requires a 10-day notice to terminate. State, local, and lodging sales taxes do not apply.

## Downtown Minneapolis Liquor and Restaurant Taxes (apply in downtown area)

In addition to the other Minneapolis, Hennepin County, and Hennepin County Transit taxes, there are special restaurant and liquor taxes that apply in the downtown taxing area. See page 6 for a map of the Minneapolis downtown taxing area.

### Downtown liquor tax

The 3 percent liquor tax applies to retail sales of alcoholic beverages, including wine and 3.2 beer, sold at licensed on-sale liquor establishments in the downtown Minneapolis taxing area. Examples include:

- bars
- hotels
- motels
- restaurants
- clubs

The downtown liquor tax does not apply to off-sales of alcoholic beverages.

If the establishment has a 3.2 percent malt liquor license, or a set-up license, the downtown liquor tax does not apply.

**Note:** These items are also subject to the other applicable sales taxes imposed within Minneapolis. See the Minneapolis tax combinations chart on page 7.

### Downtown restaurant tax

A 3 percent restaurant tax applies to food and beverages sold by restaurants, caterers or places of refreshment in the downtown Minneapolis taxing area.

Examples include:

Bakeries	Restaurants	Delicatessens
Lunch counters	Coffee shops	Snack bars
Candy stores	Deli counters	Sidewalk carts
Mobile units	Hotels	Motels

Drive-ins	Diners	Bars
Theater snack bars	Lodging houses	clubs

This tax does not apply to:

- taxable food sold from vending machines
- food and snacks sold by gas stations, cigar stands, grocery stores (except the deli section)
- drugstores (except the lunch counter)
- beverages subject to the downtown liquor tax

The Downtown restaurant tax applies to the same items that are subject to state, county, and city sales tax.

#### Example

- A coffee shop in downtown Minneapolis sells a cup of coffee and a bag of coffee beans. State, local, and the Downtown Restaurant taxes apply to the coffee, but not to the coffee beans. If live music is played at the coffee shop, the entertainment tax also applies.

**Note:** These items are also subject to the other applicable sales taxes imposed within Minneapolis. See the Minneapolis tax combinations chart on page 7.

### Minneapolis downtown taxing area exemption

The area currently occupied by the Minneapolis Woman's Club, located at 410 Oak Grove Street, is excluded from the Minneapolis downtown taxing area. Sales in this area are not subject to the Minneapolis downtown restaurant or liquor taxes.

## **Target Center, Target Field, Minneapolis Convention Center, and US Bank Stadium**

If you make sales at the Target Center, Target Field, Minneapolis Convention Center, or US Bank Stadium the rules as described in this fact sheet apply.

### **Legal References**

Minnesota Laws 1969, chapter 1092

Minnesota Laws 1986, chapters 396 and 400, section 44

Minnesota Laws 2001 1<sup>st</sup> Special Session, Chapter 5, article 12, section 87

### **Revenue Notices**

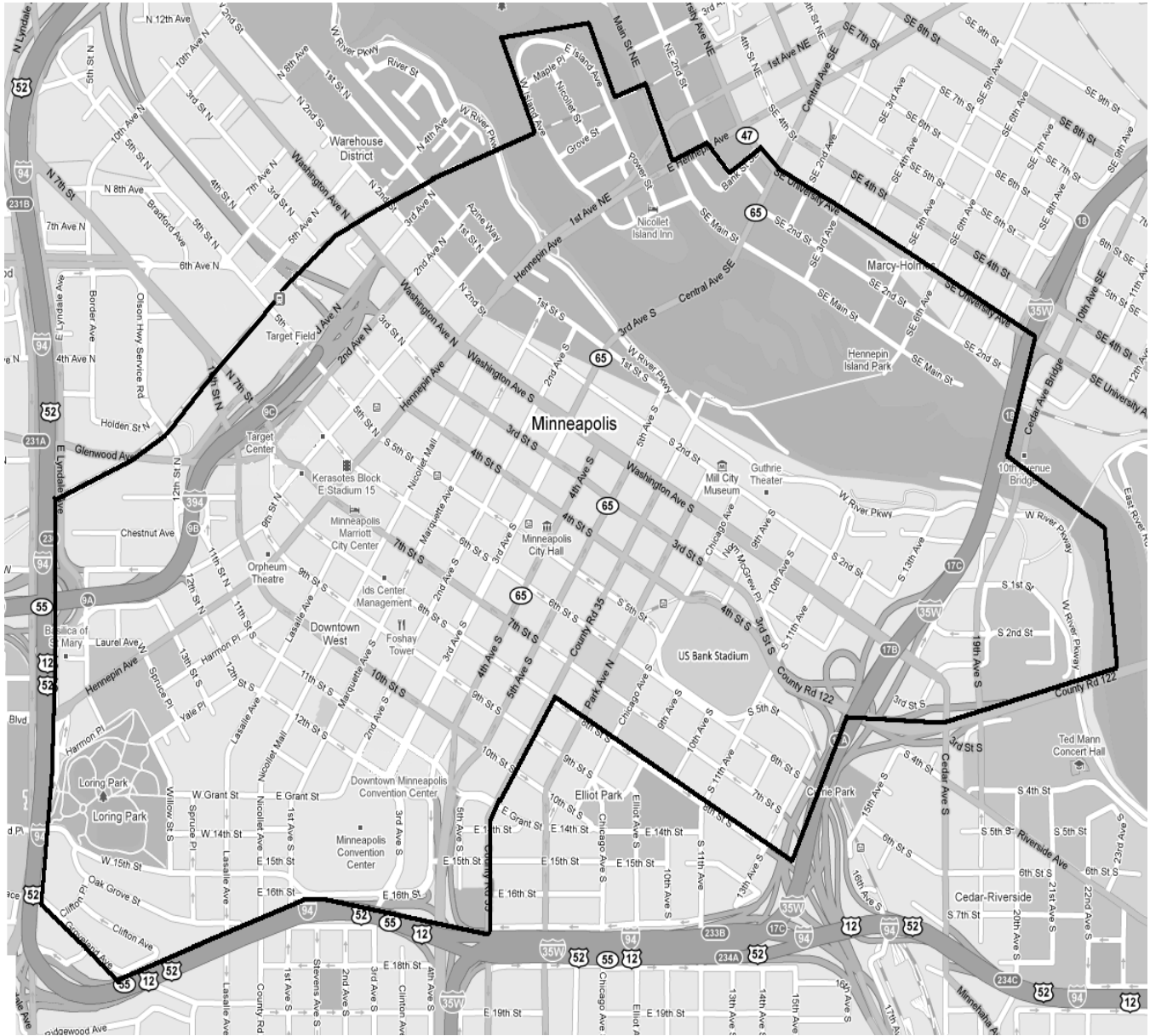
05-11, Local Lodging, Restaurant and Liquor Taxes

### **Other Fact Sheets**

164, *Local Sales and Use Taxes*

164S, *Special Local Taxes*

## Minneapolis downtown taxing area



### Downtown area includes:

“Downtown” Minneapolis  
 Guthrie Theatre  
 Loring Park  
 Lower Hennepin (Laurel Village)  
 Nicollet Island  
 Riverplace  
 Seven Corners  
 St. Anthony Main  
 Target Field  
 US Bank Stadium  
 Warehouse Area to Monte Carlo

### Downtown area does not include:

Cedar Riverside  
 Dinkytown  
 Franklin Lyndale  
 Kenwood  
 Minneapolis Woman’s Club  
 Stadium Village  
 Stevens Square (below I-94)  
 Walker Art Center

## Minneapolis tax combinations

	State Tax	Liquor tax	Hen Co Transit*	Henn Co	Mpls sales/use	Mpls lodging	Mpls liquor	Mpls restaurant	Mpls entertainment	Total %
<b>Restaurant</b>										
No entertainment	6.875	—	0.5	0.15	0.5	—	—	—	—	= 8.025
Live entertainment	6.875	—	0.5	0.15	0.5	—	—	—	3	= 11.025
<b>Downtown restaurant</b>										
No entertainment	6.875	—	0.5	0.15	0.5	—	—	3	—	= 11.025
Live entertainment	6.875	—	0.5	0.15	0.5	—	—	3	3	= 14.025
<b>Liquor on-sale</b>										
No entertainment	6.875	2.5	0.5	0.15	0.5	—	—	—	—	= 10.525
Live entertainment	6.875	2.5	0.5	0.15	0.5	—	—	—	3	= 13.525
<b>Downtown liquor on-sale</b>										
No entertainment	6.875	2.5	0.5	0.15	0.5	—	3	—	—	= 13.525
Live entertainment	6.875	2.5	0.5	0.15	0.5	—	3	—	3	= 16.525
<b>Liquor off sales</b>	6.875	2.5	0.5	0.15	0.5	—	—	—	—	= 10.525
<b>Lodging</b>										
50 rooms or less	6.875	—	0.5	0.15	0.5	—	—	—	3	= 11.025
More than 50 rooms	6.875	—	0.5	0.15	0.5	2.125***	—	—	3	= 13.150
<b>Theater admissions**</b>	6.875	—	0.5	0.15	0.5	—	—	—	3	= 11.025
<b>Other retailers</b>	6.875	—	0.5	0.15	0.5	—	—	—	—	= 8.025

\* The Transit Improvement Tax ended September 30, 2017.

\*\* Theater snack bar sales in the downtown taxing area are subject to the special restaurant and liquor taxes and may be subject to the entertainment tax (during periods of live entertainment).

\*\*\*The Minneapolis Lodging Tax decreased from 2.625% to 2.125% on October 1, 2017.