

Minnesota Department of Revenue

Revenue Notice # 17-06: Sales and Use Tax – Lodging and Related Services – Residential Short-Term Rentals

Introduction

This revenue notice provides the Department of Revenue's position on who is required to register, collect, report, and remit sales tax and applicable local taxes on furnishing or facilitating residential short-term rentals, commonly known as "vacation home rentals." Residential property that is rented short-term could be a home, a portion of a home, or any other property used for a temporary place to stay or live. For tax purposes, it does not matter whether the short-term rental of the residential property is for a vacation or for another purpose.

Background

Residential short-term rentals are a form of lodging and related services, subject to Minnesota sales tax under *Minnesota Statutes*, section 297A.61, subdivision 3 (g)(2), and to all local sales and use tax, including all applicable local lodging taxes. State and local taxes are due on lodging in Minnesota if the lease or rental is for one of the following periods:

- less than 30 days
- 30 days or more if there is no enforceable written lease agreement that requires the customer to give prior notice of their intention to terminate the lease

Those who are required to collect, report, and remit sales tax and applicable local taxes on the charges for lodging must do so on the full sales price of the lodging and related services. The full sales price of lodging and related services includes all amounts charged by an accommodations intermediary to the customer of the lodging.

Accommodations intermediaries, as defined in *Minnesota Statutes*, section 297A.61, subdivision 47, means a person or entity that facilitates the sale of lodging, which includes "brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer." Accommodations intermediaries connect with customers of lodging by various means, often via a website for short-term renting of vacation homes or other residential properties.

Sales of lodging and related services that are isolated and occasional and not made in the normal course of business of selling these kind of services are exempt from sales tax under *Minnesota Statutes*, section 297A.67, subdivision 23. The terms "isolated" and "occasional" are defined at *Minnesota Rules*, part 8130.5800; and the term "normal course of business" is defined at *Minnesota Statutes*, section 297A.61, subdivision 21.

Purchases of lodging and related services for resale are not subject to sales and use tax under *Minnesota Statutes*, section 297A.61, subdivision 4 (a)(2).

Department Position

Residential property rental facilitated by an accommodations intermediary

An accommodations intermediary that facilitates the sale of the short-term rental of residential property located in Minnesota must register as a retailer to collect, report, and remit the taxes on the full sales price of lodging and related services. This is true regardless of the location of either the person renting the lodging or the accommodations intermediary (whether located in Minnesota or not, and whether located in the same local jurisdiction as the property or not).

Facilitating the sale of lodging includes “brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.” Thus, facilitating the sale of lodging includes collecting receipts from the customer of the lodging and transmitting the receipts to the owner of the residential property, whether this is done directly by the intermediary or indirectly through agreements or arrangements with third parties, and whether or not the accommodations intermediary deducts or causes to be deducted any fees or other amounts from those receipts.

Facilitating the sale of lodging does not include mere advertising of the availability of the residential property for short-term rental, which directs the customer of the lodging to contact the owner of the property to reserve and purchase the lodging.

Residential property furnished by its owner

If the residential property is located in Minnesota, the property owner must register as a retailer to collect, report, and remit sales tax and all applicable local taxes on the lodging and related services if both of the following conditions apply:

- the owner regularly furnishes lodging directly to a customer in the normal course of business, meaning that it is done for the purpose of profit or producing income
- the customer makes the reservation with and pays the owner for the lodging and related services

If the residential property is located in Minnesota, the property owner is not required to register or to collect the taxes in either of the following situations:

- the owner uses the services of an accommodations intermediary to facilitate all sales of lodging at the owner’s property
- rental of its residential property by the owner is an isolated incident, not made in the normal course of business

Residential property furnished by its owner as well as an accommodations intermediary facilitating the rental

When the owner of residential property in Minnesota regularly furnishes lodging directly to a customer in the normal course of its business, as well as using the services of an accommodations intermediary to facilitate the sale of the short-term lodging, then both the owner and the intermediary have tax liabilities.

The property owner is required to collect, report, and remit the taxes on the lodging and related services for those sales transactions where the owner did not use the services of an accommodations intermediary. The accommodations intermediary must do the same for those sales transactions facilitated by the accommodations intermediary.

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