

February 13, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 394 (Dziedzic) As Proposed to be Amended (SCS0394A-2)

The city of Minneapolis has imposed a local tax on lodging since 1969. In 1986, an additional local sales tax was enacted on lodging for businesses with more than 50 rooms. The maximum allowable tax rate on lodging establishments, including both state and local sales tax rates, has been 13% since 2001 (12% since 1986).

There were tax rate changes in 2009 and 2017 related to the 13% limit. The Minneapolis 3% lodging tax on businesses with more than 50 rooms (1986) was reduced to 2.625% with the 0.375% increase to the statewide sales tax rate in 2009. The 2.625% was reduced to 2.125% with the imposition of the 0.5% local transportation tax for Hennepin County in 2017.

Local sales tax rate changes were enacted for Hennepin County in 2006 and 2008 that could have impacted the maximum allowed tax rate for lodging in Minneapolis. However, both tax rate changes had provisions that excluded them from determining whether the total tax on lodging in Minneapolis exceeded 13%.

As proposed to be amended, the bill would increase the limitation on total state and local taxes for lodging in Minneapolis from 13% to 13.875%. The 3% limit on the local lodging tax on businesses with more than 50 rooms (1986) would still apply.

The bill would have no impact on any state fund.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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