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City Council Member Barbara Johnson – 4th Ward

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BY:

October 6, 2017

The Honorable Jan Callison
Hennepin County Board of Commissioners
A2400 Government Center
300 South 6th Street
Minneapolis, MN 55487

Dear Commissioner Callison:

In Minnesota Special Law, there is a 13% limit on the total tax burden on lodging in the City of Minneapolis (Laws 1986, Chapter 396, as amended by Laws 2001, Chapter 5). Since then, new local taxes imposed by Hennepin County, including the 0.15% Twins Ballpark tax and the 0.25% Metro Transit Sales Tax, have been exempted from the limit (MS 473.757, Subd. 10b, and MS 297A.992).

When the Counties Transit Improvement Board voted to dissolve, Hennepin County voted to impose a new 0.5% sales tax for the benefit of roads and transit under a different state law (MS 297A.993) which does not include an exemption from the 13% limit. As a result of this action, the Minneapolis lodging tax was reduced from 2.625% to 2.125% on October 1, 2017, causing an estimated \$1.6-\$1.8 million annual loss in revenue to the City.

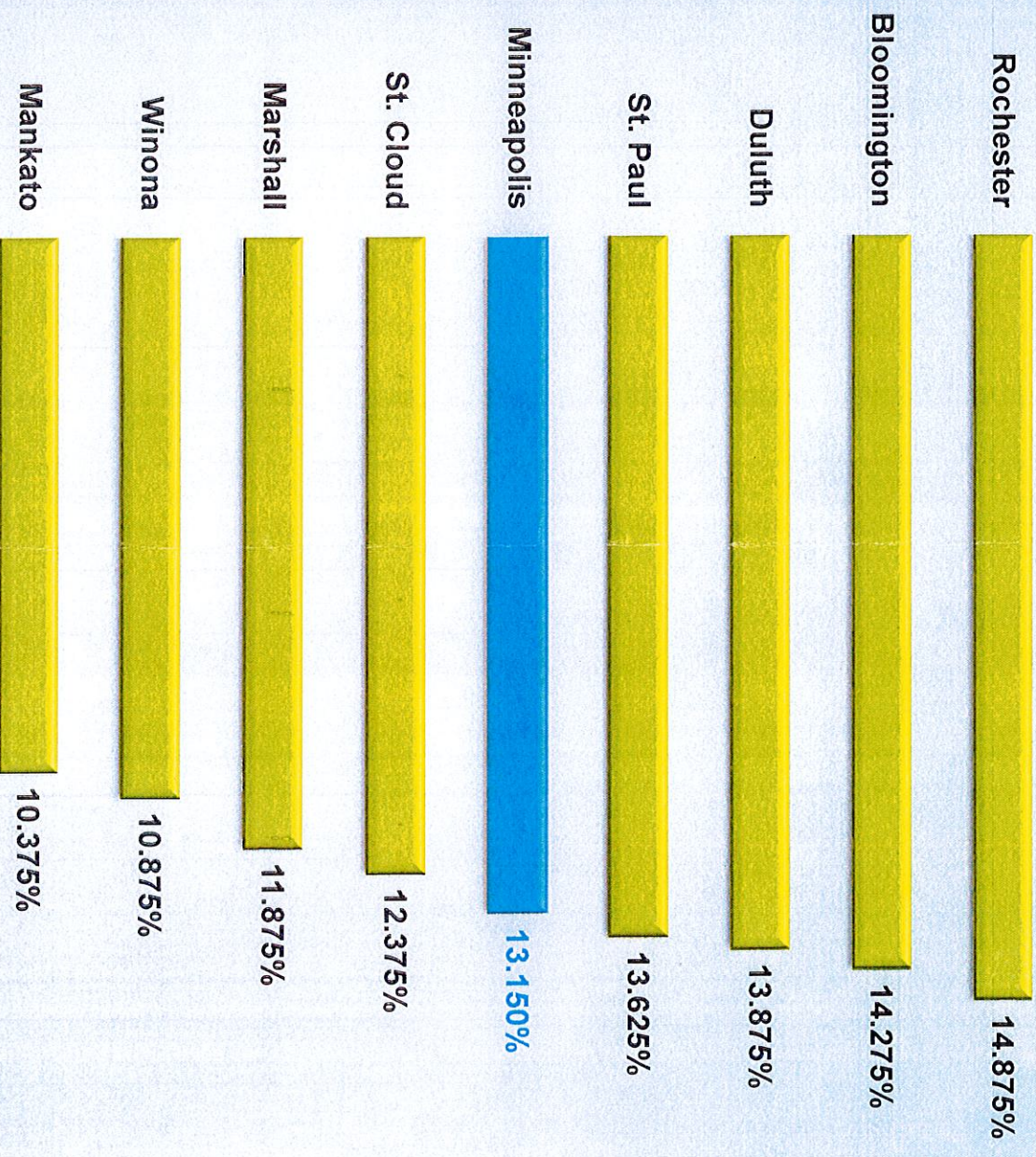
The City anticipates working to address this issue during the upcoming legislative session. In partnership, we respectfully request that the Hennepin County Board consider supporting a legislative change to address the provision in the Minneapolis special law that limits the total of all taxes on lodging imposed by the city, county, and state to 13% by providing an exemption from the cap for any new additional taxes that have or may be imposed by the state or county since 2005.

Enclosed with this letter is a comparison of hotel tax rates in select Minnesota cities, as well as a one-pager with more information. We are working on draft language and will share that with you as soon as possible.

Sincerely,

Barbara A. Johnson, President
Minneapolis City Council, Ward 4

HOTEL TAX RATES BY MINNESOTA CITIES



Sources: Minnesota Department of Revenue; 2017 HVS Lodging Tax Report – USA,
August 2017; Booking.com, June 23, 2017



Minneapolis
City by Nature

Meet Minneapolis
Convention & Visitors Association

Minneapolis Lodging Tax Timeline (Updated 10-4-17)

Overview:

The disbanding of the Counties Transit Improvement Board (CTIB) and subsequent actions will have an unanticipated negative impact on City of Minneapolis lodging tax revenues. The dissolution of CTIB will allow Hennepin County to impose the sales tax in the county 0.5% under MS 297A.993, effective October 1, 2017. The impact of the County action will be to decrease Minneapolis lodging tax to 2.125%, down from 2.625%. This is a particular concern for the City's current 2017 and future budgets, as well as with the upcoming Super Bowl in 2018. Minneapolis is the only city in the state with a cap on its lodging taxes.

History:

- 1986 - The City was granted the ability to impose a lodging tax with a maximum rate of 3% to finance the Convention Center. In addition, the City's total tax burden on lodging including the cumulative amount of all state, county and local sales/entertainment taxes was capped at 12% (Laws 1986, Chapter 396).
- 2001 - The cap was raised to 13%. (Laws 2001, Chapter 5).
- 2005 - Hennepin County imposed the local sales tax for the Twins stadium at 0.15%, and an exemption from the total lodging tax cap was included in that legislation (MS 473.757, Subd. 10b).
- 2008 - The legislature authorized a .25% tax in CTIB counties for transit under MS 297A.992 with exemption language for the Minneapolis lodging tax cap.
- 2008 - Voters approved the Legacy amendment at 0.375%.
- 2009 - The legislature authorized the additional 0.375%.
 - Inadvertently, no exemption from the Minneapolis lodging tax was included, thereby reducing the Minneapolis lodging tax from 3.0% to 2.625%.
- 2017 - CTIB voted to dissolve in June, and Hennepin County voted to impose a new 0.5% sales tax, effective October 1, for the benefit of roads and transit, which is possible without new legislation because of other existing statutory authority for counties to impose the sales tax.
 - Because the existing statutes only have the exemption from the Minneapolis lodging tax in the CTIB transit tax statute (MS 297A.992) and not under the other statute which the county is now using to impose the half cent sales tax (MS 297A.993), the exemption does not continue, which effectively reduces the lodging tax that Minneapolis imposes by 0.5%. Nonpartisan staff described the lack of continuing exemption language in the 2017 Tax bill as an oversight.
- 2017 - Minneapolis lodging tax was reduced from 2.625% to 2.125% on October 1.

Financial Impact:

It is anticipated that the reduction in lodging tax revenue to the City will be \$1.6-1.8 million per year.

Context:

Minneapolis's total taxes on lodging are in the middle of the pack in Minnesota. Rochester, Bloomington, Duluth, and St. Paul all have higher total rates than Minneapolis.