



Protect the Use of Local Option Lodging Taxes

POSITION: Hospitality Minnesota supports the protection and appropriate use of the local option lodging tax. It is important to protect the integrity of the current local option lodging tax law by ensuring that its revenue is dedicated and limited to the marketing of Minnesota’s destinations. Given that the industry is currently engaged in a multi-year economic recovery from the pandemic, it is more important than ever to protect the statutory purpose of the local option lodging tax.

BACKGROUND: A city or town may vote to impose a tax of up to three percent on the gross receipts of lodging at a hotel, motel, rooming house, tourist court or resort. The tax does not apply to the renting or leasing for a continuous period of 30 days or more.

- Specifically, the statute states that 95% of the proceeds shall be used to fund a local convention or tourism bureau for the purpose of marketing and promoting the city or town as a tourist destination.
- Examples of items for which the money is not to be used include, but are not limited to:
 - Athletic facility or community center construction or maintenance
 - Cross country ski or other trails
 - High school band uniforms
 - Seasonal decorations
 - Welcome signs
- Minnesota law requires the state sales tax on lodging sold by online travel agencies, such as Orbitz, Expedia or Travelocity, should be paid on the entire amount charged to a guest rather than on the wholesale amount paid to a property. We support clarifying the local option lodging tax should be collected in the same manner.
- Based on a substantial record of Minnesota Attorneys General opinions, it’s clear this money is not to be used to finance other city projects.

Updated: 02/14/2023