

Minneapolis Special Local Taxes

164M

 Sales Tax
Fact Sheet

This is a *supplement* to Fact Sheet 164, Local Sales and Use Taxes. It describes the special local taxes that are imposed in Minneapolis. See Fact Sheet 164S for information on special local taxes imposed in other locations in Minnesota. These taxes are administered by the Minnesota Department of Revenue. Since city ordinances and resolutions do vary, the tax base for *special local taxes* may differ from the general state and local taxes.

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; and
- short-term lodging within the city limits.

This tax is in addition to the 6.875 percent state sales tax, 0.15 percent Hennepin County sales tax, 0.25 Transit Improvement sales tax and the 0.5 percent Minneapolis sales tax. The Minneapolis lodging, restaurant, and liquor taxes may also apply.

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

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

The entertainment tax applies to admission and delivery fees; however, it does **not** apply to convenience fees that are separate charges from the admission itself. For example, an on-line ticket seller adds separately stated 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 charge and to the charge for delivery of the tickets, but does not apply to the separately stated convenience fee. However, the entire charge (including the convenience fee) is subject to the state and Minneapolis sales or use tax, Hennepin County tax and the Transit Improvement tax.

Cover or minimum charges. A “cover” or “minimum charge” (collected either at the door or later) entitles the customer to dancing privileges, entertainment, or the option to buy meals, drinks, or other items. Cover and minimum charges are considered admission fees and are subject to 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 entertainment tax:

Athletic event admissions (except regular season school games for grades 1–12)
Bowling fees
Carnival or fair admissions
Carnival rides, such as merry-go-rounds, bumper cars
Dance ballrooms or pavilion admissions
Jukeboxes
Motor bike, 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 nonprofit arts organization)
Pool or billiard table fees
Video or pinball machines, shuffle board or dart board fees

Checking services. Entertainment tax does **not** apply to checking services, such as hat and coat or luggage checks.

Club dues and memberships. Membership dues to clubs that hold meetings, elect officers, sponsor club activities, or otherwise function as a club unit are **not** subject to entertainment tax. This includes country clubs, golf clubs, curling clubs, etc., even if the membership dues entitle the member to use the club’s athletic facilities.

Transportation services. Entertainment tax does **not** apply to transportation by aircraft, bus, train, boat, limousine or taxi. Sightseeing rides and tours are also exempt from this tax.

Use of athletic facilities. Entertainment tax does **not** apply to fees for the use of athletic facilities such as health clubs, swimming pools, golf facilities, skate or ski facilities.

Lodging. Entertainment tax applies to all lodging accommodations and related services within Minneapolis, unless the lodging period is 30 days or longer *and* there is an enforceable written rental agreement requiring either the renter or owner to give notice before terminating the agreement.

Taxable related services including 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 are subject to the entertainment tax.

The tax is in addition to the 6.875 percent state sales tax, 0.15 percent Hennepin County sales tax, 0.25 percent Transit Improvement sales tax, the 0.5 percent Minneapolis sales tax, and the 3 percent Minneapolis lodging tax (see page 3) that may also be due on lodging. (Note: The difference between the Minneapolis lodging tax and the entertainment tax on lodging is that the entertainment tax applies to *all* short-term lodging accommodations. The Minneapolis lodging tax applies only at establishments with more than 50 rooms.)

Purchases during live performances. The entertainment tax applies to food and drinks, catering services, and merchandise sold in public places during live performances, including intermissions.

“Food, drinks and merchandise” include catering services and sales of beer and other alcoholic beverages, and all other items subject to sales tax.

“Public places” include bars, restaurants, halls, hotels, coffeehouses, etc., whether operated for profit or not. The entertainment tax does not apply at private clubs or other places where membership is required for admission and service.

“Live entertainment” includes music (with or without dancing), comedians, magicians, etc. It does *not* include sporting events, karaoke, jukeboxes, or 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/cover charge are subject to the entertainment tax if live entertainment is provided, even during intermission.

If there is not an admission/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.

There is a difference between the entertainment tax and the state and local sales taxes as they apply to these same items. The entertainment tax applies only when they are sold at public places during live entertainment. The state and local sales taxes apply 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 entirely separate business operations.

Examples:

All transactions described below are subject to state, Hennepin County, Transit Improvement and Minneapolis sales taxes. 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.)

1. 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.
2. 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.
3. 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.
4. 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 night club. All sales in the night club, including the cover charges, are subject to entertainment tax.

Minneapolis Lodging Taxes (apply city wide)

Minneapolis lodging tax is **2.625 percent**. Prior to 7/1/2009 the lodging tax was 3 percent. It applies to lodging accommodations within Minneapolis city limits at hotels and motels with more than 50 rooms available for lodging. Lodging tax is in addition to the 6.875 percent state sales tax, 0.15 percent Hennepin County sales tax, 0.25 percent Transit Improvement sales tax, the 0.5 percent Minneapolis sales tax and the 3 percent Minneapolis entertainment tax.

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

Lodging rentals are not subject to the state or local sales taxes or Minneapolis lodging tax if the rental period is 30 days or longer **and** there is an enforceable written rental agreement requiring either the renter or owner to give notice before terminating the agreement.

State and local sales taxes and lodging tax do not apply to charges for uses other than lodging, such as leasing a hotel room for a business meeting.

Examples:

1. A guest registers at a hotel and stays for five weeks. Although the guest stayed longer than 30 days, state and local sales taxes and lodging tax apply because there was no enforceable written rental agreement.
2. A hotel rents suites under monthly enforceable written rental agreements that require a 30-day notice to terminate. State or local sales taxes and lodging tax do not apply.
3. An apartment is rented on a weekly basis. State and Local and lodging tax apply since the rental period is less than 30 days.
4. A company rents a room in a hotel on a monthly basis for occasional use by its employees. The enforceable written agreement requires a 10-day notice to terminate. Rental of the room is not subject to state or local sales taxes or lodging tax.

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

In addition to the other Minneapolis, Hennepin County and Transit Improvement taxes, special restaurant and liquor taxes also apply in the downtown taxing area. The map on page 4 defines the Minneapolis downtown taxing area.

Downtown liquor tax. The **3 percent** liquor tax applies to retail *on-sales* of alcoholic beverages, including wine and 3.2 beer, sold at licensed on-sale liquor establishments such as bars, hotels, motels, restaurants, and clubs in the downtown Minneapolis taxing area.

If an establishment has an intoxicating liquor license, club license, or wine license, the downtown liquor tax applies to all sales of alcoholic beverages. The 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.

This tax is in addition to the 6.875 percent state sales tax, 2.5 percent gross receipts tax on liquor, 0.15 percent Hennepin County sales tax 0.25 Transit Improvement sales tax and the 0.5 percent Minneapolis sales tax. The 3 percent entertainment tax may also be due on liquor sales.

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. These include restaurants, delicatessens, lunch counters, coffee shops, snack bars, bakeries, candy stores, deli counters, sidewalk carts, mobile units, hotels, motels, lodging houses, diners, bars, theater snack bars, drive-ins, and clubs.

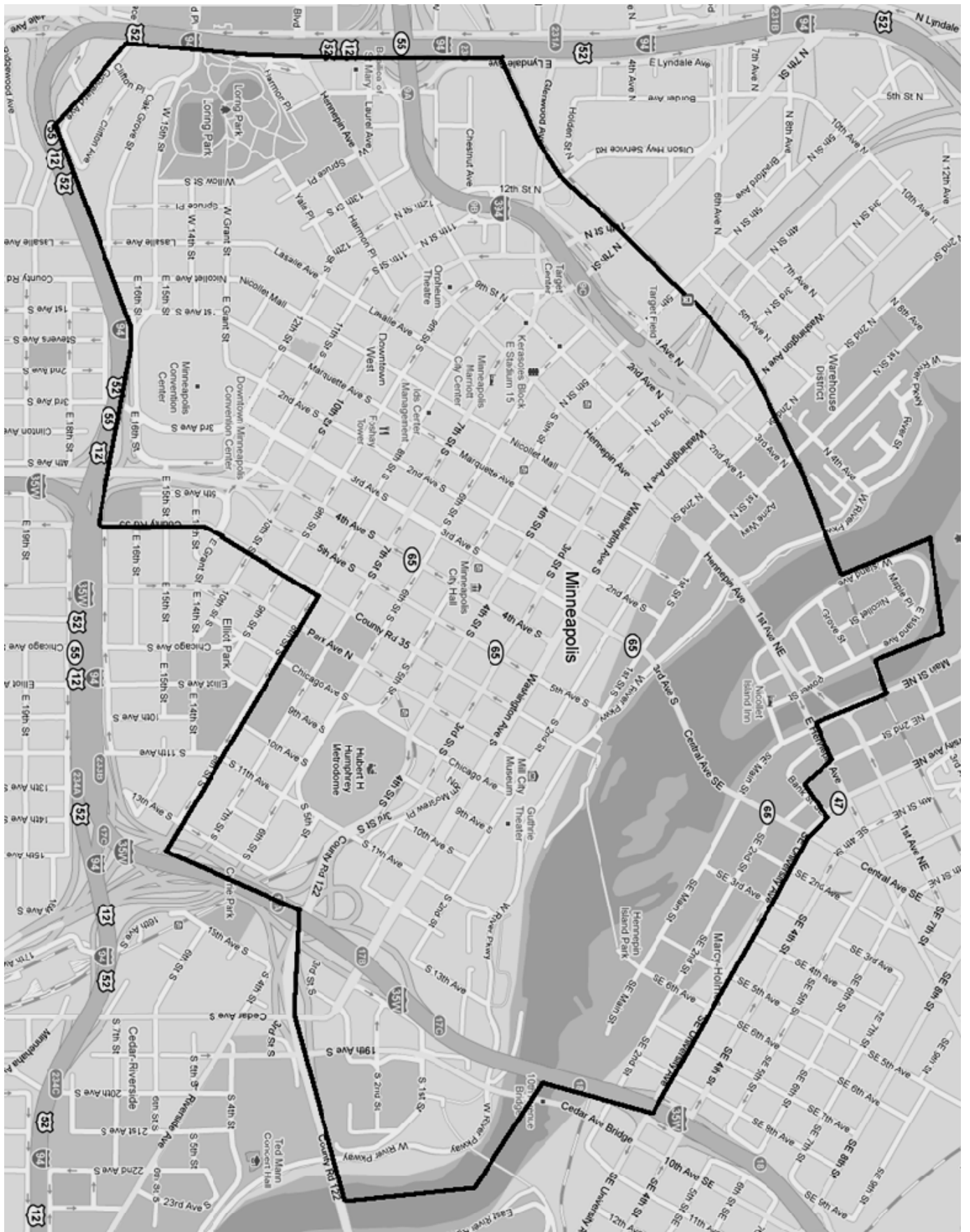
This tax does not apply to food from vending machines, food and snacks sold by gas stations, cigar stands, grocery stores (except the deli section), or drugstores (except the lunch counter) or to beverages subject to the downtown liquor tax.

The tax applies to the same items that are subject to state, county and city sales tax. For example, if a coffee shop in downtown Minneapolis sells a cup of coffee and a bag of coffee beans, the state and local taxes apply to the coffee, but not to the coffee beans. Therefore, the downtown restaurant tax also applies to a cup of coffee, but not to the coffee beans. All food and beverages served at the coffee shop are subject to the downtown restaurant tax, as well as state and local taxes. If live music is played at the coffee shop, the entertainment tax also applies.

This tax is in addition to the 6.875 percent state sales tax, 0.15 percent Hennepin County sales tax, 0.25 Transit Improvement sales tax and the 0.5 percent Minneapolis sales tax; the 3 percent entertainment tax may also be due on food and beverages.

Minneapolis downtown taxing area. 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.

Downtown area includes: “Downtown” Minneapolis St. Anthony Main Riverplace Seven Corners Metrodome area Loring Park Lower Hennepin (Laurel Village) Warehouse area to Monte Carlo Nicollet Island Guthrie Theater Target Center Target Field	Downtown area doesn’t include: Minneapolis Woman’s Club Dinkytown Stadium Village Cedar Riverside Stevens Square (below I-94) Franklin and Lyndale Kenwood Walker Art Center
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Minneapolis tax combinations

	State Tax	Liquor tax	Transit Improv	Henn Co	Mpls sales/use	Mpls lodging	Mpls liquor	Mpls restaurant	Mpls entertainment	Total %
Restaurant										
No entertainment	6.875	—	0.25	0.15	0.5	—	—	—	—	= 7.775
Live entertainment	6.875	—	0.25	0.15	0.5	—	—	—	3	= 10.775
Downtown restaurant										
No entertainment	6.875	—	0.25	0.15	0.5	—	—	3	—	= 10.775
Live entertainment	6.875	—	0.25	0.15	0.5	—	—	3	3	= 13.775
Liquor on-sale										
No entertainment	6.875	2.5	0.25	0.15	0.5	—	—	—	—	= 10.275
Live entertainment	6.875	2.5	0.25	0.15	0.5	—	—	—	3	= 13.275
Downtown liquor on-sale										
No entertainment	6.875	2.5	0.25	0.15	0.5	—	3	—	—	= 13.275
Live entertainment	6.875	2.5	0.25	0.15	0.5	—	3	—	3	= 16.275
Liquor off sales	6.875	2.5	0.25	0.15	0.5	—	—	—	—	= 10.275
Lodging										
50 rooms or less	6.875	—	0.25	0.15	0.5	—	—	—	3	= 10.775
More than 50 rooms	6.875	—	0.25	0.15	0.5	2.625	—	—	3	= 13.400
Theater admissions*	6.875	—	0.25	0.15	0.5	—	—	—	3	= 10.775
Other retailers	6.875	—	0.25	0.15	0.5	—	—	—	—	= 7.775

* 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).

Target Center, Target Field, Minneapolis Convention Center, Metrodome

If you make sales at the Target Center, Target Field or Minneapolis Convention Center, the rules as described in this fact sheet apply. However, special rules apply to sales of admissions at the Metrodome. Call our office for a special information sheet if you are selling admissions at the Metrodome.

References:

Minnesota Laws 1969, chapter 1092

Minnesota Laws 1986, chapters 396 and 400, section 44

Minnesota Laws 2001 1st Special Session, Chapter 5, article 12, section 87

Revenue Notice 05-11: Sales and Use Tax – Local Lodging, Restaurant and Liquor Taxes

Other fact sheets you may need:

Local Sales and Use Taxes, #164

Special Local Taxes, #164S