

Special Local Taxes

Mankato, Minneapolis, Rochester, St. Cloud, St. Paul

164S

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 Mankato, Minneapolis, Rochester, St. Cloud and St. Paul. These taxes are administered by the Minnesota Department of Revenue.

Mankato Food and Beverage and Entertainment Taxes (apply city wide)

Beginning April 1, 2009, the city of Mankato imposes a 0.5 percent Food and Beverage tax; and 0.5 percent Entertainment tax. These taxes are in addition to the 6.875 percent state sales tax, 2.5 percent gross receipts tax on liquor, and the 0.5 percent Mankato sales and use tax.

Food and Beverage tax. The 0.5 percent Food and Beverage tax applies to all sales of food and beverages by a restaurant or place of refreshment that are located within the city of Mankato.

“Restaurant” is defined as a business that sells unpackaged food to the customer in a ready-to-consume state, in individual servings, where the customer consumes these foods in the building, picks up the food from the building to consume elsewhere, or the food is delivered by the customer by employees of the restaurant and establishments. This definition includes but is not limited to: fast food restaurants, sit down restaurants, carry-out restaurants, delivery restaurants, drive in restaurants, cafes, tea rooms, delis, and any combination thereof. “Restaurant” may also be referred to as an eating establishment.

“Place of refreshment” is defined as any premise or location where alcoholic beverages, non-alcoholic beverages, or food items are sold at retail for consumption at or near the premise or location. This definition includes but is not limited to: bars, saloons, clubs, pubs,

coffee houses, dance clubs, teen centers, concession stands, sidewalk vendors, and any combination thereof.

Entertainment tax. The 0.5 percent Entertainment tax applies to sales of admissions to entertainment events located within the city of Mankato.

“Entertainment event” means any event for which persons pay money in order to be admitted to the premises and to be entertained, including but not limited to, theatres, concerts and sporting events.

For purposes of this section admissions paid to the following types of events or for the following types of entertainment are not subject to the Mankato entertainment tax: health, athletic, or fitness club memberships; miniature golf facilities; skate board parks; ice or roller skating facilities; swimming pools; amusement parks; carnivals; fairs; games of skill; cover charges at night clubs or dance halls; coin operated amusement devices, such as foosball, pool tables, pinball, cranes, batting cages and the like; tennis, racquetball or handball court fees; golf club memberships or greens fees and driving ranges.

St. Cloud Liquor and Food Taxes (apply city wide)

St. Cloud imposes a **1 percent** tax on liquor and food sold at restaurants and “places of refreshment” located within the city limits. St. Cloud taxes are in addition to the 6.875 percent state sales tax, 2.5 percent gross receipts tax on liquor, and the 0.5 percent St. Cloud Area sales and use tax.

Liquor tax. St. Cloud liquor tax applies to retail *on-sales* of alcoholic beverages, including wine and 3.2 beer, sold at licensed on-sale liquor establishments in St.

Cloud such as bars, hotels, motels, restaurants, and clubs.

If an establishment has an intoxicating liquor license, club license, or wine license, the St. Cloud liquor tax applies to all *on-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 liquor tax does not apply.

Food tax. St. Cloud food tax applies to food and beverages (not subject to liquor tax) sold by restaurants, coffee shops, snack bars, or any other “place of refreshment” in St. Cloud. A “place of refreshment” means any building, structure, vehicle, sidewalk cart, or any part thereof, used, maintained, or advertised as a place where food or drinks are made, sold or served at retail.

The food tax does not apply to food purchased in general merchandise stores, grocery stores, gas stations, confectioneries, drugstores, or other places not providing meals, lunches, lodging, or fountain, bar, booth, or table service.

Lodging Taxes – Minneapolis, Rochester and St. Paul (apply city wide)

Minneapolis lodging tax is **2.625 percent**. Prior to July 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, the 0.15 percent Hennepin County sales tax, the 0.25 percent Transit Improvement sales tax, the 0.5 percent Minneapolis sales tax, and the 3 percent Minneapolis entertainment tax.

Rochester lodging tax is **4 percent**. It applies to lodging accommodations at all hotels, motels, rooming houses, tourist courts, trailer camps, or similar establishments within the Rochester city limits. Lodging tax is in addition to the 6.875 percent state sales tax and the 0.5 percent Rochester sales tax, which also apply to lodging.

St. Paul lodging tax is **3 percent**. For establishments with **fifty or more rooms available for lodging**, the lodging tax rate is **6 percent**. The tax applies to lodging accommodations within St. Paul city limits at a hotel, rooming house, tourist court, motel, or similar establishment. Lodging tax is in addition to the 6.875 percent state sales tax, the 0.25 percent Transit Improvement sales tax and the 0.5 percent St. Paul sales tax which also apply to lodging.

The local lodging taxes apply to lodging and related taxable services in the same manner as the state sales tax. Request Revenue Notice 2005-11, Local Lodging, Restaurant and Liquor taxes, for more information.

Charges to use TVs, VCRs, DVD players, movie channels, video games, or other items related to using the room for lodging are subject to lodging tax. However, separately stated charges, such as barber or beauty shop services, postage, and flowers, are not subject to lodging tax.

Lodging rentals are not taxable 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.

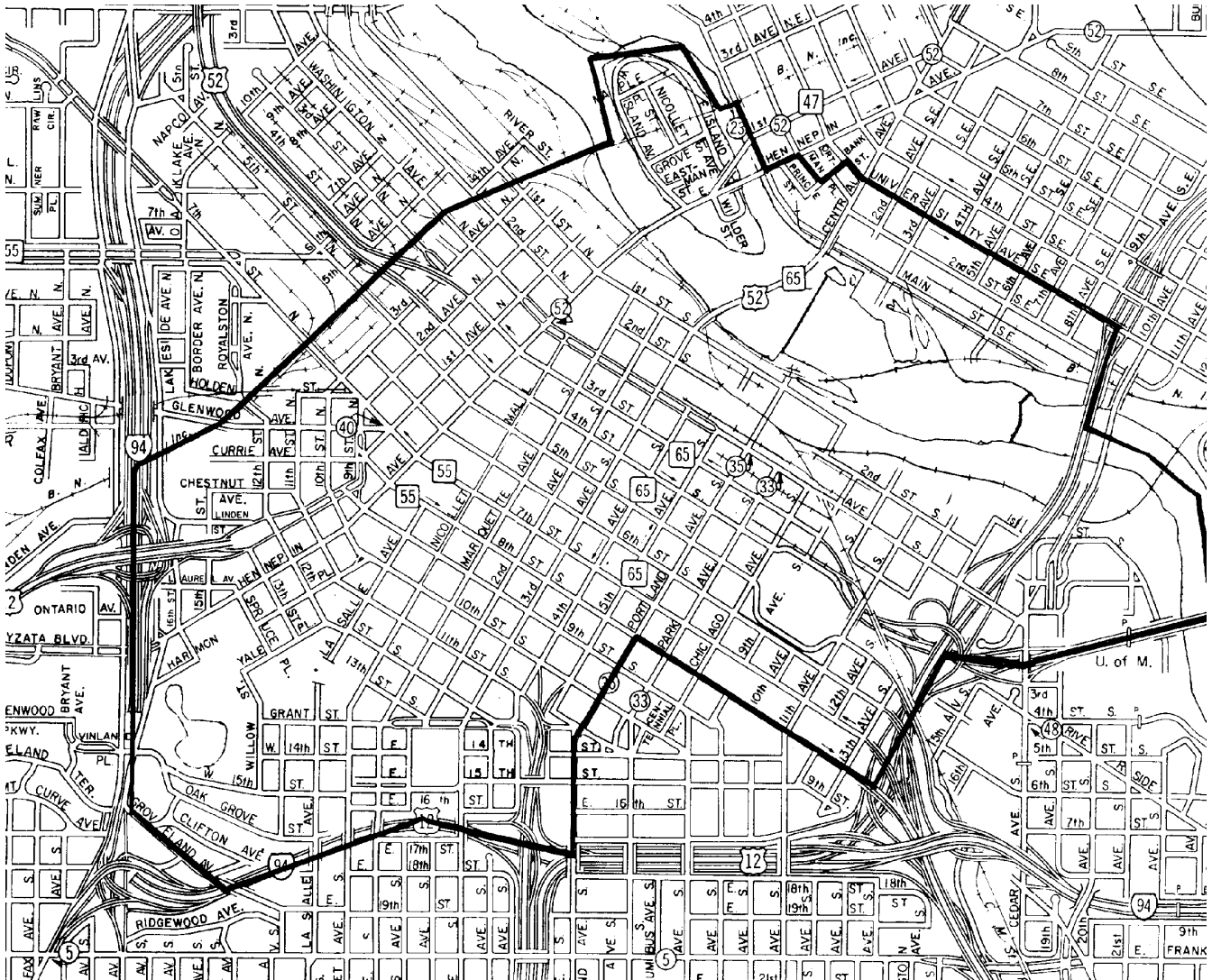
State and local sales taxes and lodging tax do not apply to charges for uses other than lodging, such as leasing a hotel room for a business meeting.

Examples:

1. A guest registers at a hotel and stays for five weeks. Although the guest stayed longer than 30 days, lodging tax applies 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. Lodging tax does not apply.
3. An apartment is rented on a weekly basis. Lodging tax applies since the rental period is less than 30 days.
4. A motel charges \$3 per day extra to use a movie channel. The \$3 charge is subject to lodging tax.
5. 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 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 below defines the 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, the 2.5 percent gross receipts tax on liquor, the 0.15 percent Hennepin County sales tax, the 0.25 percent 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, 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 drug stores (except the lunch counter) or to beverages subject to the downtown liquor tax.

The tax applies to the same things 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, county and city taxes apply to the coffee, but not the coffee beans. Therefore, the downtown restaurant tax also applies to the coffee, but not the coffee beans. All food and beverages served at the coffee shop are subject to the downtown restaurant tax, as well as state, county and city 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, the 0.15 percent Hennepin County sales tax, the 0.25 percent 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 area does not include:
“Downtown” Minneapolis	Minneapolis Woman’s Club
St. Anthony Main	Dinkytown
Riverplace	Stadium Village
Seven Corners	Cedar Riverside
Metrodome area	Stevens Square (below I-94)
Loring Park	Franklin and Lyndale
Lower Hennepin (Laurel Village)	Kenwood
Warehouse area over to Monte Carlo	Walker Art Center
Nicollet Island	
Guthrie Theater	

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, the 0.15 percent Hennepin County sales tax, the 0.25 percent 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.

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 alley 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
- State, county, or other fair and grandstand event admissions
- 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.

The tax is in addition to the 6.875 percent state sales tax, the 0.15 Hennepin County sales tax, the 0.25 percent Transit Improvement sales tax the 0.5 percent Minneapolis sales tax, and the 2.625 percent Minneapolis lodging tax that may also be due on lodging. (Note: The difference between the 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.)

In applying the entertainment tax to lodging, follow the same guidelines as the Minneapolis lodging tax (see page 2) except disregard the requirement that the establishment have 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.

There is a difference between the entertainment tax and the Minnesota and Minneapolis 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 Minneapolis sales taxes apply at all times.

“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.

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 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	6.875	—	0.25	0.15	0.5	—	—	—	3	= 10.775
Other retailers	6.875	—	0.25	0.15	0.5	—	—	—	—	= 7.775

Target Center, Minneapolis Convention Center, Metrodome

If you make sales at the Target Center 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.