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**TO:** House Property Tax Division

**FR:** Joel Carlson / TravelTech

**RE:** HF 3389 DE Amendment Article 6, Sec. 5 and 6 / Local Lodging Taxes

**ACCOMMODATION INTERMEDIARIES ARE SERVICES SUBJECT TO SALES TAX**

In 2011 the legislature debated extending the state sales tax to several new services but decided to apply the sales tax to only a few new businesses including travel agents.

***Mn. Stat. 297A.61 subd. 4***

**Subd. 47.** Accommodations intermediary. "Accommodations intermediary" means **any** person or entity, other than an accommodations provider, that facilitates the sale of lodging as defined in subdivision 3, paragraph (g), clause (2), and that charges a room charge to a customer. The term "facilitates the sale" includes brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.

The Department of Revenue has published several revenue notices that further define the terms to include vacation home rental operators, travel consolidators, tour operators, and any other person that facilitates the sale of lodging. ***DOR Notice #12-07 and #17-06***

Contrary to the talking points a travel intermediary is **not** simply an online travel company (OTC). This provision is new tax on tourism and hospitality at a time the industry is as hard hit as any from COVID-19.

**ACCOMMODATION INTERMEDIARIES DO NOT PROVIDE LODGING**

Minnesota imposes local lodging taxes only on facilities that furnish lodging - not on services that support lodging.

There are several practical and legal problems with imposing local lodging taxes upon non-local services, including the cumbersome and expensive problem of administration and uniform tax policy.

Convention booking and tour groups, realtors, vacation home rentals sites like AirBnB and VRBO and travel agents all arrange accommodations at properties all over the state **and** are required to pay state sales tax on their services. Local lodging taxes, which are remitted directly to over 130 cities and counties in Minnesota have never been imposed on travel agent services or other services that support lodging.

## LOST OPPORTUNITIES FOR LODGING

An even more practical problem for Minnesota and its tourism and lodging businesses is the potential for lost bookings. This proposal could make compliance unaffordable for companies to operate or market lodging in many cities. Some may simply refuse to promote properties that have limited reservations, which benefits no one.

Many accommodation intermediaries provide free opportunities to promote lodging facilities, which will be diminished under this proposal. The limited benefit to large metro cities and regional centers comes at the expense of small properties that can't afford to market themselves.

The broad distribution and access to the competitive lodging marketplace accommodation intermediaries provide benefit cities and tourism across the state. The hospitality and travel industry has been devastated by the pandemic. Imposing a new and expensive tax on tourism will not assist in bringing these businesses back.

Hopefully, the effort to limiting this marketing advantage via this new tax will again be rejected.

Thank you for your consideration.



Joe