



Saint Louis County

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Representative Aisha Gomez, Chair, House Tax Committee
Representative Dave Lislegard, Chair, House Property Tax Division
Senator Ann Rest, Chair, Senate Tax Committee
Senator Grant Hauschild
Minnesota State Capitol
St. Paul, MN 55155

April 15, 2024

Dear Chair Gomez, Chair Rest, Chair Lislegard and Senator Hauschild:

We are writing today in support of House File 5198, Rep. Lislegard's Property Tax Division Report, and Senate File 5435 (Hauschild).

We appreciate Rep. Lislegard and Sen. Hauschild including funding for the Canyon Integrated Solid Waste Management Campus; demolition of the closed public school in Hoyt Lakes; and for the Mesabi Trail – Aurora to Hoyt Lakes Spur. These projects, along with all the others in this proposed legislation are very important to the communities of the Iron Range and to St. Louis County.

As you know, the funds being directed toward these projects come from taxes paid by our local mining companies in lieu of property taxes. These efforts have no negative fiscal impact on the state's budget. We appreciate this money being reinvested into our local communities on the Iron Range and appreciate Rep. Lislegard and Sen. Hauschild for introducing this legislation.

Further, we want to thank the bill authors for including the largest increase in the Taconite Homestead Credit since it was frozen in 1998. This proposal would increase the Taconite Homestead Credit from an average of \$289-\$315 per homeowner to \$515 per homeowner and would be ongoing property tax relief for residents of Taconite Tax Relief Area.

Thank you for your time and consideration.

Respectfully,

Keith Nelson

Keith Nelson
Board Chair,
St. Louis County Commissioner
6th District

Paul McDonald

Paul McDonald
Intergovernmental Chair,
St. Louis County Commissioner
4th District



City of Buhl, Minnesota
City of Chisholm, Minnesota
City of Kinney, Minnesota
Town of Great Scott, Minnesota

Chairman: Ryan Pervenanze
Vice Chairman: Larry Folstad
Secretary/Treasurer: Milan Luzaich
Executive Director: Norman L. Miranda

Central Iron Range Sanitary Sewer District

April 15, 2024

Representative Aisha Gomez, Chair, House Tax Committee
Representative Dave Lislegard, Chair, House Property Tax Division
Senator Ann Rest, Chair, Senate Tax Committee
Senator Grant Hauschild
Minnesota State Capitol
St. Paul, MN 55155

Dear Chair Gomez, Chair Rest, Chair Lislegard and Senator Hauschild:

RE: H.F. 5198, Rep. Lislegard's Property Tax Division Report & S.F. 5435

I appreciate Rep. Lislegard and Sen. Hauschild including funding for the Central Iron Range Sanitary Sewer District (CIRSSD) in their bills. This grant will help us with much needed wastewater conveyance system infrastructure upgrades on the Iron Range which were envisioned in the District's Comprehensive Plan. These improvements are critical for providing increased flow capacity along the Hwy 169 corridor for desperately needed residential, commercial, and industrial development.

The CIRSSD concept was initiated in 2002 with the planning of a regional facility to serve the St. Louis County Range communities of Hibbing, Chisholm, Buhl, and Kinney as well as Balkan and Great Scott Townships and the Minnesota Territory occupied by the Minnesota Discovery Center. This process was spearheaded by the Central Iron Range Initiative (CIRI). Through legislative action the District was formed as a "Municipal" subdivision of the State. From 2002 through 2008, the District struggled to reach consensus among the communities as to the future direction of the District as well as to gain support and participation from the City of Hibbing and Balkan Township.

In late 2008, the CIRSSD was legislatively disbanded due to the lack of support from the City of Hibbing and Balkan Township. Through the tenacity of the leaders of Chisholm, Buhl, Kinney, Great Scott Township, and the local legislative delegation, the CIRSSD was reconfigured and legislatively formed again in mid-2009, without the City of Hibbing and Balkan Township.

Work began immediately to modify the project "Facility Plan" identifying a centralized "green field" facility adjacent to the existing Chisholm Wastewater Treatment Ponds. The project included construction of new sewage pumping stations and sewage conveyance piping in Chisholm and Buhl and rehabilitation of the Kinney pumping facility. With a very condensed schedule to receive project funding to meet NPDES Permit construction schedule deadlines, the entire project was designed in four months, WIF and CWRP funding was secured, and construction began late in 2010. The project construction was substantially complete and flow from Buhl was directed to the facility in December 2013. At that point the Buhl facility was decommissioned. In March 2014, flow began to be diverted

from the Chisholm facility with the subsequent decommissioning of that facility. Full operation of the CIRSSD Craig S. Pulford Wastewater Treatment Facility began with the introduction of Chisholm wastewater flow.

In compliance with the "Schedule of Construction - Mercury Treatment" in the CIRSSD NPDES Permit, the District submitted its Facility Plan for a Mercury Removal Facility prior to the March 1, 2015, deadline. Plans and Specifications were submitted to MPCA for review and approval prior to December 1, 2015. Following a competitive bid process, award and notice to proceed was given to Rice Lake Construction Group prior to April 1, 2016. The District was awarded PSIG and SRF Loan proceeds to help fund the \$5,000,000 project. Despite a four-month delay in delivery of the cloth disc filters, the District initiated operation on February 27, 2017, and attained compliance with Final Mercury Limits on March 3, 2017, before the March 23, 2017, compliance deadline.

The CIRSSD NPDES Permit includes some of the most stringent discharge limits in the state due to its discharge into the Great Lakes Basin, mandated by Federal regulation under the Great Lakes Initiative. The District is proud of the fact the facility has maintained 100% compliance with all discharge limits, including Mercury, from facility startup to date. The District is recognized annually by the MPCA through its Outstanding Operation Achievement Award.

With increasing interest from developers in residential, commercial, and industrial projects along the Hwy 169 corridor from Kinney to Buhl and Chisholm, the CIRSSD is taking a proactive approach to seek funding to design and construct conveyance system capacity upgrades in Buhl and provide additional capital facility equipment improvements and facilities for conveyance and pumping of increased flows critical to providing service to prospective residential, commercial and industrial developers along the corridor.

We appreciate this money being reinvested into our local communities and appreciate Rep. Lislegard and Sen. Hauschild for introducing this legislation.

Respectfully,



Norm Miranda
Executive Director

CC: Ryan Pervenanze, CIRSSD Board Chair and Board Members

April 14, 2024

Chair David Lislegard
Property Tax Division
Minnesota House of Representatives

Re: Property Tax Division Report

Dear Chair Lislegard,

Thank you for including Representative Agbaje's bill, HF 3715, in Article 4 of the Property Tax Division Report.

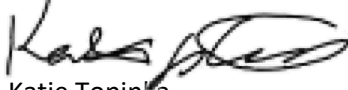
This language expands the boundary for the Minneapolis downtown taxing district, while lowering the rate to keep it as close to revenue neutral as possible, based on analysis from the Department of Revenue. This new rate applies to the downtown liquor tax and the downtown restaurant tax, lowering both from 3 percent to 2.5 percent.

Downtown Minneapolis has seen significant growth and change since the adoption of the current boundary. The City is seeking this new boundary to encompass a geography that brings it more in line with the scope of downtown activity as exists today, most notably incorporating the North Loop. This change is supported by the City Council and has been requested by businesses downtown to achieve parity between restaurants and entertainment venues on Nicollet Mall, and other parts of downtown, and the North Loop.

The City of Minneapolis also supports the provision in Article 1, Section 10 related to a property tax exemption for Red Lake Nation College and the provisions in Article 5, creating a land-value taxation district.

Thank you again for including the language from HF 3715 in the Property Tax Division report.

Sincerely,



Katie Topinka
Director, Intergovernmental Relations



April 15, 2024

Chair Lislegard and members of the House Property Tax Division:

On behalf of the 838 members of the League of Minnesota Cities, I appreciate the opportunity to share background on sections 1-2 or Article 4 of the delete everything amendment to HF 5198.

Issue

Under current law, online travel companies are not paying lodging taxes to cities and counties with locally administered lodging taxes on the share of the revenue they retain from an individual booking. This creates an inequity between cities and tax statutes themselves, since these online travel companies are paying sales tax on these purchases. It also creates an inequity in how lodging at the same location is taxed. If someone goes directly to a hotel website to book a room, they pay lodging tax on the full amount of their purchase. But that is not the case when they book through an online travel company.

Under current law if a taxpayer books a \$100 room over the phone or via the hotel website, they pay any local lodging tax on that whole \$100. If they book that same room at that hotel through an online travel company, they only pay local lodging tax on the portion of the price that is retained by the hotel. So, if the hotel and online travel company have an agreement that the hotel retains 90% of the purchase price, online travel companies are not paying local lodging tax on that \$10 that stays with them.

Background

Most local lodging taxes are imposed under general authority. Under this authority cities can impose the tax by ordinance. The local government may use 5 percent of the proceeds for administration costs but the remaining 95 percent of the revenues from a tax imposed under the general authority must be used to fund a local convention or visitor's bureau for tourism and convention center promotion. This proposal would not alter the allowable uses of local lodging taxes.

In 2011, the legislature amended Minn. Stat. § 297A.61 to define accommodation intermediaries and clarified that their services are subject to the state sales tax as part of the tax imposed on lodging. Local lodging taxes collected by the state for local units of government under Minn. Stat. § 469.190, subd. 7, also clearly apply to services provided by these accommodation intermediaries since these taxes are required under Minn. Stat. § 270C.171 to use the definition for tax base contained in the general sales tax statute. There are state administered local lodging taxes in seven cities (including Minneapolis, St. Paul, and Rochester) and two counties. As a result there is a disparity in the tax base different cities place on the local lodging tax.

Over 120 cities have local lodging taxes that are administered locally, a number of which are done through joint powers authorities. Over 90% of the cities with a locally administered lodging tax have a rate of 3%. The vast majority of these cities are located in Greater Minnesota, where the dollars go to fund the promotion of tourism in the city.

Proposal

Section 1 of article 4 of the DE amendment would align the lodging tax base with the sales tax base and ensure that cities with locally administered lodging taxes have the same tax treatment as state administered lodging taxes. This would provide a level and uniform playing field between cities and ensure that more than just a select few have a broader lodging tax base. Section 2 of article 4 would allow local governments to impose an ordinance to remit their portion of the lodging tax on an annual basis rather than a monthly basis. This proposal would not alter what the proceeds of the local lodging tax can be used for, nor would it change the lodging tax base beyond aligning locally administered lodging taxes and state administered lodging taxes.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nathan Jesson".

Nathan Jesson
Intergovernmental Relations Representative

CLOSING THE LODGING TAX LOOPHOLE: SUPPORT HF3414 | SF3976

Not everyone pays their share of the lodging tax, creating an unfair market and leaving tourism marketing dollars on the table for communities across Minnesota.



HF 3414/SF3976 closes the loophole for **over 110** locally administered lodging taxes, where online providers currently do not have to pay local lodging tax on the entire price charged to the consumer.



The Problem: Current law allows online travel companies to avoid paying lodging tax on the share of revenue they retain from an individual booking when the tax is administered locally.



Make It Make Sense: For the 9 state administered lodging taxes (7 cities, 2 counties) online accommodation providers are required to pay lodging tax on the entire price charged.

Why Should A Locally Administered Lodging Tax Be Any Different?

This creates an inequity between cities, especially in Greater Minnesota, where often the lodging tax is locally administered. We should not pick winners and losers – everyone should receive the full funds from the lodging tax.

Who Is Losing?

Tourism partners and cities across Minnesota. Convention and visitors bureaus and destination marketing organizations receive funds from lodging taxes to market their destination and hospitality businesses. They should receive the full lodging tax on each and every booking.

**ASK: SIGN ON AND SUPPORT HF 3414 | SF 3976
TO SUPPORT TOURISM IN YOUR COMMUNITY**



JOEL CARLSON
Legal Research ♦ Government Affairs

April 14, 2024

TO: Rep. Dave Lisle, Chair, House Property Tax Committee
FR: Joel Carlson / Expedia Group
RE: HF 5198 DE Amendment (Article 4, sections 1 and 2) Local Lodging Taxes

There is a great deal of misinformation about the application of local lodging taxes to the service fees that are earned by accommodations intermediaries. This tax debate has gone on since at least 2009, and the legislature has consistently refused to change the law to make travel intermediaries subject to local lodging taxes in over 140 jurisdictions in Minnesota.

ACCOMMODATION INTERMEDIARIES ARE SERVICES SUBJECT TO SALES TAX

In the 2011 Special Session, the legislature defined an "accommodation intermediary" and an "accommodations provider" in statute for sales tax purposes.

Mn. Stat. 297A.61 subd. 3

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.

Subd. 48. Accommodations provider. "Accommodations provider" means any person or entity that furnishes lodging as defined in subdivision 3, paragraph (g), clause (2), to the general public for compensation. The term "furnishes" includes the sale of use or possession, or the sale of the right to use or possess.

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 provided by proponents, a travel intermediary is not simply an online travel company (OTC).

Some accommodation intermediaries comply with the sales tax requirement but many of the thousands of travel intermediaries operating in Minnesota do not. There are over 4000 vacation home rentals in Minnesota alone, yet there are under 200 registered travel intermediaries.

ACCOMMODATION INTERMEDIARIES DO NOT PROVIDE LODGING

While the imposition of the state's sales tax was clear, the legislature never amended the local lodging tax. The local lodging tax is a "gross receipts" tax of up to 3% for the furnishing of lodging for periods of less than 30 days.

Mn. Stat. 469.190

469.190 LOCAL LODGING TAX Subdivision 1. Authorization.

Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, or at a special town meeting, impose a tax of up to **three percent on the gross receipts from the furnishing for consideration of lodging** at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

The "gross receipts tax" collected by the lodging facility for furnishing lodging is collected and remitted directly to the city in all but four jurisdictions in Minnesota. Each city may impose the tax by ordinance at any rate up to 3% and most also license the lodging establishments within their jurisdictions. They know each facility and can easily connect with them for tax collection. This makes great sense, as 95% of the local lodging tax is used for promotion to attract visitors. The state sales tax is not dedicated to such a purpose.

Several cities have come to the legislature to increase their local lodging tax, making them significantly higher than 3% and funding items beyond tourism promotion. Bloomington's local lodging tax is 7%, higher than even the state's sales tax. However, the legislature has not allowed local lodging taxes to be assessed against every service that takes place in their city that impacts lodging and has never amended the local lodging tax to require the thousands of travel intermediaries to become local taxpayers in each of these cities.

HOW AN ACCOMMODATION INTERMEDIARY TRANSACTION WORKS

An accommodation intermediary has an established agreement with a lodging facility to allow access to the lodging establishments reservation system so that they can market the property at a price **set by the lodging establishment**.

Once a customer books and confirms a reservation for the lodging establishment the room charge **plus** all applicable state and local lodging taxes is collected from the customer and paid to the lodging establishment. The accommodation intermediary retains their service fee

for advertising and arranging the reservation and pays state sales tax on this service fee. They never furnish lodging and therefore do not remit local lodging taxes.

All local lodging taxes and state sales taxes are paid on the full price the consumer paid the lodging establishment for furnishing lodging. The accommodation intermediary pays a state sales tax on the accommodation service as required by law.

IMPOSING LOCAL LODGING TAXES CREATES AN IMPOSSIBLE BURDEN

There are several practical and legal problems with the proposal to impose local lodging taxes upon non-local businesses including the cumbersome and expensive problem of administration. Unlike a locally licensed lodging establishment, local governments will have no way to identify what intermediaries are working within their jurisdictions, making uniform taxation unlikely, at best.

A large establishment might have several online or hard-line booking options, which would require significant auditing to determine. Convention booking and tour groups, vacation home rentals and sites like AirBnB arrange accommodations at different properties all over the state. Real Estate agents book short term rentals for clients routinely. All would become local taxpayers in each city, with a different tax rate and no consistent payment date.

If the city doesn't collect from each intermediary, the law would be (and probably already is) ripe for a constitutional challenge.

Minnesota Constitution, Article 10, Sec. 1

The power of taxation shall never be surrendered, suspended or contracted away. Taxes shall be uniform upon the same class of subjects and shall be levied and collected for public purposes.....

LOST OPPORTUNITIES FOR SMALL CITIES AND LODGING

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

Accommodation intermediaries provide a free opportunity to promote local 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 the competitive marketplace the accommodation intermediaries provide benefit cities and tourism across the state.

Hopefully, the effort to limiting this marketing advantage to large cities will again be rejected.

April 14, 2024

Chair Lislegard and Members of the House Property Tax Division:

Thank you for the opportunity to submit written testimony on Chair Lislegard's HF 5198 (DE amendment), the Property Tax Division Report.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals statewide active in all aspects of the real estate transaction.

Article 4, Sections 1-2

MNR would like to share our opposition to authorizing local lodging taxes to be imposed on the services provided by "accommodation intermediaries," defined in Minn. Stat. 297A.61, Subd. 47 as "...any person or entity, other than an accommodations provider, that facilitates the sale of lodging." This provision further defines the term "facilitates the sale" to include "...brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer."

MNR has members working in all aspects of housing, from representing buyers and sellers in the purchase of a home, to brokering the sale of lodging at vacation or short-term rentals.

MNR does not support expanding the reach of local lodging taxes to the services provided by travel intermediaries, whether they are online travel companies or local individuals working with a few vacation rental property owners.

Article 5, Sections 1-5

MNR is continuing to review the provisions allowing cities to establish land-value taxation districts.

Thank you again for the opportunity to provide written testimony on HF 5198 (DE amendment),

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®



April 15, 2024

The Honorable Dave Lislegard, Chair
House Property Tax Division Committee
451 State Office Building
St. Paul, MN 55155

The Honorable Duane Quam, Republican Lead
House Property Tax Division Committee
247 State Office Building
St. Paul, MN 55155

Re: Hospitality Minnesota Support for positive hospitality provisions in HF5198 DE – Property Tax Division Report (Lislegard)

Dear Chair Lislegard, Lead Quam, and Members of the Committee:

We appreciate the opportunity to weigh in on DE to HF5198 – the Property Tax Division Report – and address the benefits this legislation provides for Minnesota’s hospitality industry.

Hospitality Minnesota is the trade organization for Minnesota’s restaurants and foodservice, hotels and lodging, and resort and campground sectors. **We appreciate the inclusion of the following provisions and encourage committee members to continue to support:**

Article 1, Section 3, Lines 2.12 – 5.3: Homestead Resort Tier Adjustment: The adjustment of these tiers will help maintain the property tax relief that the legislature intended to help family-owned resorts remain viable businesses. The resort tiers have not been adjusted since 2008, and lakeshore valuations have increased dramatically over the past 5 years given the high demand for lake property. We have under 700 resorts remaining in Minnesota and this overdue adjustment would help them with their largest business expenses. Additionally, our resorts have faced one of the warmest winters on record, leaving financial concerns for our resorts who operate year-round.

Article 4, Section 1 and 2, Lines 33.18 – 34.16: Full Collection of Local Lodging Tax: This provision states that local lodging taxes apply to the whole price of lodging charged to the customer, including services provided by accommodation intermediaries (i.e. online booking agencies). This will even the playing field to ensure that our tourism partners (convention and visitors bureaus) receive full funding. Currently, only state administered lodging taxes require the lodging tax to be wholly applied. This leaves over 110+ cities with locally administered lodging taxes, many of which are in Greater Minnesota, unable to collect the full lodging tax. The lodging tax is a critical tool that allows our convention and visitors bureau partners to drive tourism to their communities.



Article 4, Section 5 and 44, Lines 34.20 – 36.11: Lowering of Minneapolis Food and Beverage Tax with Expansion of Downtown Taxing Area:

We appreciate a lowering of the food and beverage tax in downtown Minneapolis' taxing area from 3% to 2.5%, while at the same time better incorporating the boundaries of the downtown entertainment district. It is important our downtown partners are on an equal footing, and a slightly lower rate that includes all appropriate properties will yield better benefits for Minneapolis.

The provisions listed above in the Property Tax Division Report will provide a much-needed positive benefit to hospitality businesses across Minnesota. We thank you for their inclusion and encourage you to keep them in place as the Property Tax Division Report works its way through the process. Should you have any questions, please reach out to Director of Government Relations, Jill Sims at jill@hospitalitymn.com.

Sincerely,

Angie Whitcomb
President & CEO
Hospitality Minnesota

MINNESOTA FOREST ZONE
TRAPPERS ASSOCIATION
SPORTSMEN *preserving* THE *trapping* HERITAGE

Representative Dave Lislegard
Chair, House Property Tax Division
451 State Office Building
St. Paul, MN 55155

Senator Grant Hauschild
95 University Avenue W.
Minnesota Senate Bldg., Room 3111
St. Paul, MN 55155

April 15, 2024

Dear Chair Lislegard and Senator Hauschild:

On behalf of the Minnesota Forest Zone Trappers Association in Hibbing, I am writing today in support of House File 5198, Rep. Lislegard's Property Tax Division Report, and Senate File 5435 (Hauschild).

We appreciate you for including funding for our Sportsperson Training & Development Center located in Hibbing.

The Sportsperson Training & Development Center goal is educate adults and youth about protecting, conserving, preserving, and enhancing Minnesota's air, water, land, fish, wildlife, and other natural resources, and doing so all in one location. The center will educate and train people from around the State of Minnesota, increasing their knowledge of the outdoors and teaching them skills that will help them cultivate a sustainable lifestyle and maintain a healthy and biodiverse natural environment through hunting, fishing, trapping, and other traditional and non-traditional outdoor activities including orienteering, snowshoeing, traversing, and woods skiing.

The center would include 90 RV and 24 primitive camp sites, bog walk trails, hunting & trapping training facility, educational areas, parking space, equipment/maintenance building, restroom/shower facilities and seating bleachers. Educational activities will include trapping and hunting, environmental/wetlands training, drafting training manuals and providing workshops designed to get more people involved in outdoor activities, especially youth and the activities mentioned above.

This funding is very important to our organization as we look to develop this facility and we appreciate your commitment to helping move the project along.

We appreciate this money being reinvested into our local communities on the Iron Range.

Respectfully,
Ray Sogard
President - MFZTA

PO. BOX 367 HIBBING, MN 55746