

**Revenue Neutral Rate – Liquor and Restaurant Taxes  
Minneapolis Downtown Taxing Area Expansion**

Currently, Minneapolis imposes special restaurant and liquor taxes in the downtown area. The tax rate for both special taxes is 3%.

The city wishes to expand the downtown taxing area while maintaining the current level of tax revenue, meaning the current tax rates need to be reduced to make the expansion of the tax base revenue neutral.

Revenue Neutral Tax Rates for each tax separately

Liquor Tax: 2.4%

Restaurant Tax: 2.6%

Revenue Neutral Tax Rate maintaining uniform rate

Liquor Tax: 2.5%

Restaurant Tax: 2.5%

The revenue neutral rates were determined using GIS shape files of the expansion area provided by the city, and 2021 collections of Minneapolis local taxes, including the city-wide sales tax, and the downtown liquor and restaurant taxes.

The share of total taxable sales attributable to liquor and restaurant sales was determined for the current downtown taxing area. It was assumed the same ratio would apply to the expansion area, where only general sales tax currently applies.