

HOUSE RESEARCH

Bill Summary

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Overview

This bill clarifies that the Minnesota sales tax applies to the full price that an online or similar travel services charges for Minnesota hotel rooms that it sells to its customers (i.e., it includes any booking or similar service the intermediary provides). This change is characterized as a confirmation or clarification of the original intent of the sales tax and is made effective immediately. Starting June 30, 2010, these travel services will be allowed to purchase Minnesota hotel rooms exempt for resale. For periods prior to that, their sales and use tax liability will apply to the difference between the price they charged to their customers and the amount they paid to the Minnesota hotel or other lodging provider, if the Minnesota hotel charged sales tax.

Section

- 1** **Definition of sales; lodging services.** Clarifies that “lodging and related services” for purposes of the sales tax includes accommodations intermediary services (defined in section 3).
Effective date: Provides that the change is effective the day following final enactment and is intended to confirm the legislature’s original intent in imposing the tax on lodging services as the full price charged for occupancy, including any reservation or booking services that are part of the transaction.
- 2** **Definition of sale price; lodging services.** Clarifies that the sales price for lodging services includes amounts charged for services provided by accommodation intermediaries (defined in section 3).
Effective date: Provides that the change is effective the day following final enactment and is intended to confirm the legislature’s original intent in imposing the tax on lodging services as the full price charged for occupancy, including any reservation or booking

services that are part of the transaction.

- 3** **Definition of “accommodations intermediaries.”** Defines an accommodations intermediary as a person or entity (other than hotel or other lodging provider) that facilitates the sale of lodging and that charges a room charge to the purchaser. Thus, it would include resellers of hotel rooms (e.g., the online sites that directly charge a purchaser for the room, that is, the payment is made to the intermediary, rather than the hotel), but would not include traditional travel agents, who book rooms and are compensated by the hotel, but the customer pays the hotel for the room charge.

Effective date: Day following final enactment

- 4** **Definition of “accommodations provider.”** Defines an accommodations provider as a person or entity that actually furnishes lodging to the general public for compensation – i.e., a hotel, motel, and so forth.

Effective date: Date following final enactment

- 5** **Lodging services.** Imposes an explicit sales tax collection responsibility on an accommodations intermediary for services provided in connection with lodging located in this state. It also deems a provider (e.g., a hotel) to be an agent of the intermediary (e.g., an online travel site that sells hotel rooms to its customer) in providing this service to establish nexus in Minnesota (through the agency relationship) to collect the tax.

Effective date: Sales and purchases made after June 30, 2010

- 6** **Resale exemption.** Provides that hotel rooms purchased by an accommodations intermediary from an accommodations provider for resale are exempt from sales tax. This will result in these transactions being taxed once – when the accommodations intermediary sells them to its customer and not when the hotel sells the room to the intermediary.

Effective date: Sales and purchases made after June 30, 2010

- 7** **Transition provision.** Provides that for purchases and sales made before July 1, 2010, accommodations intermediaries owe tax only on the difference between the sales price that they charged to their customers and the price they paid to the Minnesota hotel or motel, if the Minnesota sales tax was charged on this transaction. This provision extends to local lodging taxes as well.