



2019 Issue Brief

Preserving the limited use of local option sales to marketing

Position:

Support Minnesota Statutes 469.190 which limits the use of local lodging taxes to tourism marketing efforts. We oppose any changes to current law or the diversion of lodging taxes for any purpose beyond marketing.

Background:

Under existing law, a statutory or home rule charter city or town may impose a tax of up to three percent on lodging at a hotel, motel, rooming house or resort. The tax is limited to rentals of less than 30 days. The Attorney General's office has issued several opinions clarifying the limited use of these funds. This revenue system benefits local attractions, as well as the broader community. By collecting these taxes from visitors, the burden on local tax payers for marketing is reduced. The broad pro-Minnesota tourism organization, Explore Minnesota Tourism Council, also supports our position.

Supporting Facts:

Current law requires 95% of the proceeds from these taxes shall be used to fund a local convention or visitor bureau for marketing and promoting the location as a tourist destination. Cities have proposed expanding the use of these funds for activities such as building or maintaining local hockey or sports facilities, seasonal decorations, welcome signs or community pools.

Tourism spending creates jobs, drives spending and has a positive return-on-investment. A 2016 report prepared on behalf of the Minnesota Office of Tourism assessed the economic impact of their advertising dollars spent in 2016. The study concluded for every \$1 invested in their campaign, \$98 in visitor spending was generated along with \$9 in tax revenue benefit to Minnesota residents.

A second study by the Minnesota Office of Tourism and their Spring/Summer 2016 Tourism Ad Campaign identified the following positive economic benefits:

- The ad campaign generated 3.5 million trips to Minnesota, resulting in \$389 million in additional traveler spending.
- Including indirect and induced impacts, this ad campaign promoting Minnesota generated \$51.9 million in state and local taxes and \$47.6 million in Federal taxes.
- Travel-driven state and local tax proceeds of \$51.9 million helped offset the average household tax burden by \$24 per household. That is, were it not for the 2016 tourism ad campaign, Minnesota households would need to pay \$24 each to maintain the same level of government revenue.