



Lodging Tax Ordinance Update Explained

Lodging Tax



- **State law allows 3% lodging tax in MN**
 - Purpose for promotion of tourism & convention activities
 - Tax allows Northfield to use visitor dollars to attract more visitor dollars into the economy (restaurants, retail, entertainment, etc.)
 - 110 cities in MN currently using lodging tax, including Northfield
- **City remits 95% to the Convention & Visitors Bureau**
 - 5% retained for administrative processing
- **Generated about \$200,000 over last couple years**

What is changing?



- Lodging tax will be collected (like sales tax) directly by the State Department of Revenue (“DOR”) like in other cities: Faribault, Cottage Grove, Bloomington etc.
- DOR will communicate with hotels, B&Bs, AND app based rentals to ensure ongoing compliance
- Upcoming communication from the City regarding change to ensure we are in touch with owners/hosts
- No increase in lodging tax rate (3%)

Why change the collector?



- Lessens administrative burden on **both** city staff **and** the host/owners
- Long term benefits
 - DOR keeps up with new app/booking intermediaries
 - DOR can easily compare lodging taxes to sales taxes

Past Ordinance Change



- Short term rentals now meet the ‘lodging’ definition in city code (2025)
 - AirBNBs, VRBOs, etc.
 - Levels the playing field across all rental types
- **Amendment Purposes:**
 - Ensure life-safety protections
 - Equalize local lodging taxes
 - Generate new tourism marketing revenue

Changing Landscape of Lodging



~7 'legacy' institutions



~35 'hosts'



Timeline



March 17, 2026 First Reading



May 15, 2026
Ordinance Takes Effect



October 2026 –
Transition Complete;
DOR collection begins





Questions about Lodging Taxes

Email **Brenda Angelstad**, Finance Director
Brenda.angelstad@northfieldmn.gov

Email **Emery John**, Program Associate
Emery.john@northfieldmn.gov

Get Your Rental Licensed and Inspected

Building Inspections General Line
(507) 645-3004