



# **2012 LOCAL SALES TAX REPORTING**

## **Information and Instructions**

*This pamphlet was prepared to assist individuals responsible for the completion of the City of Bloomington Local Sales Tax Return (Form #33-016) in accordance with Bloomington City Code, Chapter 4.*

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# LOCAL SALES TAXES

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## **CITY OF BLOOMINGTON LIQUOR TAX (3%)**

The City of Bloomington liquor tax applies to retail on-sales of intoxicating liquor and fermented malt beverages (containing more than 3.2% alcohol) when sold at establishments within the city limits. Businesses subject to this tax include bars, hotels, motels, restaurants, and clubs making retail on-sales of intoxicating liquor and fermented malt beverages (containing more than 3.2% alcohol).

The tax is separate and in addition to the state tax and Hennepin County tax that may also be due on retail on-sales of liquor. Tips left voluntarily by a customer are not taxable. Tips voluntarily added by the customer to a credit card slip are not taxable. However, when a tip or service charge is added to the bill by the seller, that amount is taxable. This is true even if the amount is separately stated or distributed directly to employees.

Examples:

- 1. A restaurant within the city limits holds an on-sale wine license and in addition sells 3.2 beer. All sales of wine are subject to the liquor tax. The sales of 3.2 beer would not be subject to the liquor tax.*
- 2. A restaurant within the city holds an on-sale liquor license. It sells a special noon meal for \$5.95. Included in the price of the meal is a drink of the customer's choice. A customer who chooses an alcoholic beverage is subject to the liquor tax. The restaurant is required to allocate the total cost between the meal and beverage based on their respective normal selling prices or percentages of the total.*
- 3. A restaurant within the city provides alcoholic beverages in exchange for other services (i.e. advertising, sales promotions or personal services). The service value is subject to the liquor tax.*

## **CITY OF BLOOMINGTON LODGING TAX (7%)**

The City of Bloomington lodging tax applies to sales of transient lodging accommodations and related services for a period of fewer than 30 days (or sales for thirty days or more that do not meet certain criteria) at a hotel or motel located within the city limits.

The tax is separate and in addition to the current state sales tax.

Amounts paid for the use of real property for purposes other than lodging are not subject to the lodging tax. For example, the lease of a meeting room in a hotel for a business meeting is not subject to the lodging tax.

Amounts paid for transient lodging accommodations provided within the city limits are subject to the tax regardless of where payments or reservations

are made. Payments or reservations made in the City of Bloomington for lodging outside the city limits are not subject to the tax.

Tax on internet transactions is subject to the price paid by the guest or occupant, not the discounted rate paid by the internet broker.

Realty lease for less than 30 days. A lease of or license to use real property for lodging purposes for periods of less than 30 days duration is a taxable sale.

Realty lease for 30 days or more. Lease of or license to use specific real property for lodging purposes are not considered taxable sales if both of the following conditions are met:

- There must be an enforceable lease agreement involving a tenancy of 30 days or more.
- The lease must require at least 30 days notice of termination.

If the above conditions are met, the lease is nontaxable even if rent is paid weekly or semimonthly.

Lodging establishments should retain written lease agreements with terms satisfying the above requirements for six years to avoid being taxed on these revenues.

#### **CANCELLATION AND “NO SHOW” CHARGES**

Cancellation charges are not taxable – since the room was cancelled, no sale occurred and no sales tax is due. “No Show” charges are taxable – since the room was held for the customer, a sale was made even though the customer didn’t show up.

#### **Other tax exempt revenues**

1. Federal government: Lodging billed directly to and paid for by the federal government and its agencies is not taxable. Federal employees also may pay for their rooms directly through use of a credit card. Sales charged on a federal employee’s credit card are not taxable if the bill is paid directly by the federal government. If the bill goes directly to the federal employee, the sale is taxable. VISA cards with the prefix 4486 and 4716 and MasterCard with the prefix 5568 indicate the holder is a federal employee. In order for these transactions to be non-taxable, the sixth digit must be 0, 6, 7, 8, or 9. In order to qualify for tax exempt status, it is not sufficient for a person to identify him/herself as a federal employee, produce a business card, or present a tax exempt certificate.
2. State and local governments: All lodging sold to state and local governments of the State of Minnesota or any other state is taxable.
3. Foreign consular officials: Consular officials are issued sales tax exemption cards that have a picture, name, individual tax exemption number and information about the extent of the tax exemption.

4. Tribal Council or Government of an Indian Reservation in Minnesota: Off-reservation short-term lodging for tribal officials is exempt only if the tribal government has a tax agreement with the Minnesota Department of Revenue that exempts purchases off the reservation by the tribal government solely for its own use.

Supporting documentation (ie. copies of credit cards, credit card numbers, IDs, etc.) evidencing tax exempt status should be retained for six years. This support must be produced during an audit performed by City staff to allow the exclusions.

All other tax exempt revenues not listed in this pamphlet must be authorized in writing by the City of Bloomington. This correspondence must be retained and made available during an audit.

## **BAD DEBTS**

Reductions for write-offs can only be taken if the amounts are directly written off the financial records. Monthly or periodic accrual amounts recorded of bad debt expense cannot be subtracted from taxable revenues.

If the establishment determines that amounts recorded as revenues are not collectible and writes these amounts off its financial records, it may reduce taxable revenue reported to the City by that amount. The amount must be related to the type of revenue subject to tax. For example, if a hotel writes off \$5,000, of which \$4,000 is related to the rental of sleeping rooms, \$500 is related to rental of a banquet hall, and \$500 is related to food, only \$4,000 may be reduced from taxable lodging revenue. If amounts written off are subsequently collected, the recovered amount must be added back to taxable revenue.

## **RELATED SERVICES**

Charges for services provided within a guest room are treated as taxable lodging related services. The following are examples of taxable charges:

- Pay per view movies and video games.
- Cots, cribs, refrigerators, roll-away beds, and exercise equipment.
- In-room safes.
- Laundry and dry cleaning services.
- Food or Liquor from in-room mini-bars and refrigerators.
- Room service or room delivery fee, including mandatory tips and gratuities.
- Telephone access charges in guest rooms.

*Examples:*

1. *Hotel guest for 30 days or more. A guest registers at a hotel without entering into an enforceable agreement to occupy a room for a period of more than 30 days. The guest occupies the room for five full weeks. Although occupancy was longer than 30 days, the transaction is subject to the lodging tax because there was no enforceable agreement.*

2. *Apartment rental on a weekly basis. A tenant rents an apartment without a lease. The tenant pays rent weekly. Each of the parties is required to give notice of one week of intention to terminate. This arrangement is subject to the lodging tax since the leasing of the premises to the tenant is for a period of less than 30 days.*
3. *Hotel/Dinner/Entertainment Package. A hotel offers a New Year's Eve package that includes room, dinner, choice of alcoholic beverage, and admission to the hotel bar where music and dancing are provided. The fair market value of each component must be determined and properly allocated. The total package price must be allocated between lodging, alcoholic beverage and admission fee based on the individual price of each item's percentage of the total price.*
4. *Bartered Services. A hotel provides lodging accommodations in exchange for other services (i.e. advertising, sales promotion or personal services). The value of the service as it relates to the normal selling price, given in exchange for the lodging accommodations is subject to the lodging tax.*

### **CITY OF BLOOMINGTON ADMISSION TAX (3%)**

The City of Bloomington admission tax applies to admission sales to any entertainment event within the city limits. The tax also applies to any service charges (other than tips or gratuity) added to the admission price. The tax is due regardless of where payments or reservations are made.

The tax is separate and in addition to the current county and state sales tax.

An admission sale to an entertainment event is defined as any event for which persons pay money to be admitted to the premises and to be entertained including, but not limited to, the following:

- Ticket sales to theaters.
- Cover (or minimum) charges to night clubs, bars, restaurants, etc.
- Ticket sales to carnival rides or attractions within amusement parks.
- Ticket sales to operate or participate in a simulation or interactive device.

Admissions sales that may not be taxed by City laws include admission sales to:

- any facilities located in the City and owned by the City or any other public agency, excluding amateur and professional sporting events.
- any entertainment event conducted by a corporation, society, association, foundation, or institution which is organized exclusively for religious purposes.
- any entertainment event which benefits a nonprofit corporation duly organized under Chapter 317A of the Minnesota Statutes or under the laws of another state.

**Cover or minimum charges.** Cover or minimum charges by bars, restaurants, halls, coffeehouses, or other public places, whether collected at the entrance or **later**, that entitle patrons to purchase meals, drinks, or other items,

or to be present during periods while entertainment is provided, or to dancing privileges at such places, are, for purposes of the admission tax, considered to be admission charges and are taxable.

**Marketing Events.** Admissions to events such as bridal shows, flea markets, antique shows, art shows, where the primary purpose of the event is to sell merchandise, are not considered entertainment events by the City of Bloomington and, therefore, are not subject to the admission tax.

**Use of sports facilities.** Charges assessed for the use of bowling alleys, golf courses, tennis courts and other similar sporting equipment or devices are considered “user fees” by the City of Bloomington and, therefore, are not subject to the admission tax. However, admission to play recreational sporting activities within an amusement park **are** taxable (i.e. miniature golf.)

**Club dues and memberships.** Membership dues to clubs that hold meetings, elect officers, sponsor club activities, or otherwise function as a club unit, are not subject to the admission tax. **Hat and Coat Check.** Checking services such as hat check, coat check, luggage check, etc. are **not** subject to the admission tax.

## GENERAL INFORMATION

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### WHO MUST REGISTER AND FILE A CITY OF BLOOMINGTON LOCAL TAX RETURN?

You must register and file a City of Bloomington Local Tax Return if:

- You have sales of transient lodging.
- You sell intoxicating liquor and fermented malt beverages (containing more than 3.2% alcohol).
- You or someone utilizing your premises make sales of admissions to entertainment events.

More specific information on the various local taxes begins on page 1.

### LOCAL TAX FORM

Each December, the City of Bloomington e-mails a new form and instruction booklet to a list of local sales tax participants. To obtain the form, e-mail [kcarlson@ci.bloomington.mn.us](mailto:kcarlson@ci.bloomington.mn.us), call 952-563-8725 or visit the City’s website at [www.ci.bloomington.mn.us](http://www.ci.bloomington.mn.us), keywords: Local sales tax.

### FILING PERIODS

For local sales tax reporting purposes, the City assumes a calendar month end. If you do not have a calendar month reporting period, written permission must be obtained from the City’s Accounting Division to submit tax returns

and payment based on a different reporting end date (i.e. 13 month period). Upon approval being obtained, your returns will be due 25 days after the end of your established accounting period. At the beginning of each year thereafter, the end dates of your accounting periods should be submitted to the City's Accounting Division.

## **DUE DATES**

Returns must be postmarked on or before the 20th day or received at the City of Bloomington on or before the 25th day after the end of your established accounting period. If the 25th day falls on a weekend or holiday, the due date is the next regular working day. To avoid penalties and interest, mail your return at least 5 days prior to the due date. (*See page 9 to determine penalties and interest calculations*).

Failure to receive a return does not relieve you from the responsibility for filing on or before the due date. Payment of the tax due should accompany the return to avoid penalty and interest charges. (*See page 9 to determine penalties and interest calculations*).

The City will impose a 5% penalty on any tax amount not paid on the date due. The amount of the tax and 5% penalty will accrue interest at 5% (the City's Special Assessment Rate). The interest rate may be adjusted on an annual basis.

If the tax amount is still outstanding 30 days after the original due date, an additional 10% penalty will be imposed on the tax amount and the 5% penalty noted above. The total tax and penalty amounts will continue to accrue interest at an annual interest rate of 5% until paid.

## **ACH CREDIT PAYMENT OPTION**

If you are interested in paying your tax liability by ACH credit as opposed to mailing a check, please e-mail [kcarlson@ci.bloomington.mn.us](mailto:kcarlson@ci.bloomington.mn.us) or call 952-563-8725 for instructions.

## **NO SALES**

If you have made no sales during the reporting period, you must still file a return. Write "None" on the appropriate Sales line of the return, sign it, and return it by the date due.

## **ONE TIME EVENT**

If your sales are generated from a one time event occurring within the city limits, the sales are still subject to the appropriate local sales tax.

## **ROUND TO WHOLE DOLLARS**

To make your figuring easier, you can round off all numbers appearing on your sales tax return. When you round off, you can drop any amounts less than 50 cents and increase any amount that is 50 cents or more to the next higher dollar.

## **TAX SHOWN TO PATRONS**

The amount of Bloomington local taxes applicable to each purchase must be shown to patrons as an item separate and distinct from the State sales tax in any of the following ways:

- By showing it as a separate item on a receipt or bill to the patron.
- By ringing up the charge and tax on separate keys of a cash register which record under separate symbols on the cash register tape,
- By displaying prominent signs or statements within the premises or on price lists that “All prices include the respective local tax rate” or “All prices are subject to the respective local tax rate”.

## **EXAMINATION OF RECORDS**

For the purpose of determining the correctness of any return required by the City of Bloomington, or of determining whether or not a return should have been filed, the City’s Finance Department will have the power to examine, or cause to be examined, books and records which may be relevant to such determination; but, such information so gathered shall be treated as non-public.

Supporting documentation should be retained for a period of six years.

## **USE OF INFORMATION**

All information on your return other than basic taxpayer identification data, by state law, is non-public. Your name, address, and account number are required by law for identification. Your sale figures are required by law to determine your correct tax. The law also requires you to indicate the title of the person signing the return.

If you fail to provide the information necessary to determine your tax, your form may not be accepted as a return. Also, the processing may be delayed, exclusions may be disallowed, and you may be subject to penalties and interest for failure to complete and submit the return on time. (*See page 9* to determine penalties and interest calculations).

The only information requested on your return not required by law are your telephone number and E-mail address. However, we ask that this information be provided so we can reach you should questions arise regarding your return.

Please be advised that the information on your return may be compared with other information you have furnished the City of Bloomington, and summary data on the amount of taxes paid may be disclosed to other City departments, state agencies, and the City Council.

# INSTRUCTIONS FOR LOCAL SALES TAX RETURN (FORM 33-016)

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The following instructions are to assist preparers in completing the form correctly.

**LINE 1 TOTAL TAXABLE LIQUOR SALES**

This line should only be completed if the establishment is making retail on-sales of intoxicating liquors and/or fermented malt beverages (containing more than 3.2% alcohol). See page 1 for additional clarification of liquor sales.

**LINE 2 LIQUOR TAX DUE**

Multiply Total Taxable Liquor Sales (Line 1) by 3%, or .03.

**LINE 3 GROSS LODGING SALES**

List gross lodging sales, including exclusions for tax-exempt revenues [Exclusions (Line 4) will be subtracted from Gross Lodging Sales (Line 3) to arrive at Total Taxable Lodging Sales (Line 5)]. Gross Lodging Sales should be adjusted to reflect refunds, bad debt write-offs, and recoveries. Gross lodging sales SHOULD NOT INCLUDE BANQUET AND MEETING ROOM RENTAL. See page 1 for additional clarification of lodging sales.

**LINE 4 EXCLUSIONS**

List the total amounts of all exclusions. Exclusions are limited to lodging revenues received from customers renting or leasing specific rooms for 30 days or more (that meet the additional criteria), foreign officials, tribal councils, and federal employees providing the appropriate documentation. Failure to maintain supporting documentation (i.e. lease agreements, copies of Federal I.D.'s, etc.) for exclusions reported on this line could result in these revenues being taxed at a later date by the City. Enter a 0 in line 4 if no exclusions.

**LINE 5 TOTAL TAXABLE LODGING SALES**

Subtract Exclusions (Line 4) from Gross Lodging Sales (Line 3).

**LINE 6 LODGING TAX DUE**

Multiply Total Taxable Lodging Sales (Line 5) by 7%, or .07 City Lodging Tax.

**LINE 7 TOTAL TAXABLE ADMISSION SALES**

List the total amount of all applicable admission sales. See page 4 for additional clarification of an admission sale.

**LINE 8     ADMISSION TAX DUE**  
Multiply Total Taxable Admission Sale (Line 7) by 3%, or .03 City admission tax.

**LINE 9     TOTAL LOCAL TAXES DUE**  
Add Liquor Tax Due amount (Line 2), Lodging Tax Due amount (Line 6), and Admission Tax Due amount (Line 8).

**LINE 10    5% PENALTY**  
THIS LINE IS ONLY APPLICABLE IF TAX RETURN/ PAYMENT is NOT RECEIVED BY THE 25TH DAY FOLLOWING THE END DATE OF THE REPORTING PERIOD.  
Multiply Total Local Taxes Due (Line 9) by 5%, or .05 Penalty Rate.

**LINE 11    10% PENALTY**  
THIS LINE IS ONLY APPLICABLE IF TAX RETURN/ PAYMENT is NOT RECEIVED BY THE 55TH DAY FOLLOWING THE END DATE OF THE REPORTING PERIOD.  
Add Total Local Tax Due (Line 9) and 5% Penalty (Line 10). Multiply the total of these two lines by 10%, or .10 Penalty Rate.

**LINE 12    INTEREST**  
THIS LINE IS ONLY APPLICABLE IF TAX RETURN/ PAYMENT is NOT RECEIVED BY THE 25TH DAY FOLLOWING THE END DATE OF THE REPORTING PERIOD.  
Add Total Local Tax Due (Line 9), 5% Penalty (Line 10), and 10% Penalty (Line 11). Multiply this total by 5%, or .05 Interest Rate. Multiply this total by the number of days past the date due. Divide this total by 360 days.

**LINE 13    TOTAL PENALTIES AND INTEREST**  
Add 5% Penalty (Line 10), 10% Penalty (Line 11), and Interest (Line 12).

**LINE 14    TOTAL TAX AMOUNT DUE**  
Add Total Local Taxes Due (Line 9) and Total Penalties and Interest (Line 13).

**REMEMBER...**

1. Checks should be made payable to the City of Bloomington. Payments can also be made by ACH credit. Please e-mail [kcarlson@ci.bloomington.mn.us](mailto:kcarlson@ci.bloomington.mn.us) or call 952-563-8725 for instructions.
2. To complete all lines on the form. Do not write in the shaded areas.

The 2012 Local Sales Tax Reporting information, instructions and return form are available on the City's website at [www.ci.bloomington.mn.us](http://www.ci.bloomington.mn.us), keywords: Local sales tax.

## **Questions?**

Contact the City of Bloomington's  
Accounting Division:

Local Sales Tax Reporting

Accounting Division

Civic Plaza

1800 West Old Shakopee Road

Bloomington, Minnesota 55431-3027

Phone: 952-563-8725

TTY: 952-563-8740

E-mail: [kcarlson@ci.bloomington.mn.us](mailto:kcarlson@ci.bloomington.mn.us)