



CITY OF MARSHALL AGENDA ITEM REPORT

Presenter:	Steven Anderson/Pamela Whitmore
Meeting Date:	Monday, November 10, 2025
Category:	CONSENT AGENDA
Type:	ACTION
Subject:	Consider an Ordinance Amending Chapter 70 Article II to Transfer Collection and Enforcement of Lodging Tax to the MN Department of Revenue
Background Information:	<p>Under Minnesota Statute 469.190 the City of Marshall may impose a local lodging tax. Dating back to at least 1976 the city has continued to collect this tax from lodging establishments within city limits. 95% of the 3% lodging tax is used to fund the Convention and Visitors Bureau to promote and market the City of Marshall.</p> <p>In 2012, the voters of Marshall chose to enact an additional 1.5% lodging tax to help pay for the Minnesota Emergency Response and Industry Training Center (MERIT) and the Southwest Minnesota Regional Amateur Sports Complex. Collection of this additional tax began in 2013.</p> <p>The lodging tax is manually collected by the city through a form that is sent to each lodging establishment and is due by the 25th of the following month. Staff believe that moving the lodging tax administration to the Department of Revenue (DOR) would be beneficial to both the city and lodging establishment owners.</p> <p>By transferring the administration to DOR, lodging tax would also be more transparent on hosting sites such as Airbnb. Currently, hosting sites only list taxes administered by the State of Minnesota and will not make separate agreements with individual cities. In the case of Marshall, the local sales and use tax (0.5%) and the Minnesota general sales and use tax (6.875%) are collected and shown on these websites. The Marshall lodging tax portion must either be collected after the transaction by the hosts, included in some other “fee” or deducted directly from the hosts’ sales. Lodging facility managers have also noted that the manual lodging tax process to be cumbersome.</p> <p>The Minnesota Department of Revenue would charge an administrative fee of 1% of the collected amount. This would range from \$100 - \$300 per month. A 90-day written notification is required to be given to the state before the process can be implemented. Staff would work with the Department of Revenue to notify affected businesses at least 60 days before the lodging tax is transferred.</p> <p>The city already complies with additional requirements to notify the public:</p> <ul style="list-style-type: none"> • Posting local tax information on the city website (https://ci.marshall.mn.us/news_detail_T46_R258.php) • Provide a statement annually that purchases made outside of the local tax area may owe use tax. This is generally included in the March MMU utility billing.
Fiscal Impact:	
Alternative/ Variations:	
Recommendations:	To adopt Ordinance 25-013 amending Chapter 70, Article II Lodging Tax and authorizing its summary publication.