

New Employer Guide

10**Withholding Fact Sheet 10****Fact Sheet**

This fact sheet explains your Minnesota income tax withholding and other tax responsibilities as a new employer.

Register for Required ID numbers

Generally, Minnesota employers must register for a Federal Employer Tax Identification Number (FEIN), Minnesota Tax ID Number, and a Minnesota Unemployment Insurance (UI) Employer Account number.

FEIN

The FEIN is a nine-digit number assigned by the Internal Revenue Service (IRS) and is used to report federal income tax withholding, Social Security, Medicare, and federal unemployment tax (FUTA).

To register for an FEIN, apply online at www.irs.gov or call 1-800-829-4933. To register by mail, complete Form SS-4 and mail or fax it to the IRS, as explained in the SS-4 instructions.

Minnesota Tax ID Number

The Minnesota Tax ID Number is a seven-digit number assigned by the Minnesota Department of Revenue and is used to report Minnesota business taxes.

As a new employer, you must apply for a Minnesota ID number and register for a withholding tax account before you withhold tax from your employees' wages. We may assess you a \$100 penalty if you fail to do so.

To register for a Minnesota tax ID number, apply online at www.revenue.state.mn.us (choose **Business Center**), or call 651-282-5225 or 1-800-657-3605 (toll-free).

Minnesota UI Employer Account

The Minnesota UI Employer Account number is assigned by the Minnesota Department of Employment and Economic Development (DEED) and is used to report state unemployment tax (SUTA).

To register for a Minnesota UI Employer Account number, apply online at www.uimn.org.

Federal Requirements for New Employees

For complete information regarding the following federal requirements and how to determine and pay federal employment taxes, see the IRS Publication 15.

Verify Work Eligibility of Employees

Use federal Form I-9 to verify eligibility for employment and identify employees hired to work in the United States. You must require your employees to complete Form I-9 when they begin working. As an employer, you must keep I-9 forms on file for three years from the date of hire or for one year after the employee's separation from service, whichever is later. You must also make these forms available upon request.

For more information, go to the U.S. Citizenship and Immigration Services website at www.uscis.gov or call 1-888-464-4218.

Verify Social Security Numbers

The Social Security Administration offers employers and authorized reporting agents three methods for verifying employee Social Security numbers. Some verification methods require registration. For more information, call 1-800-772-6270.

- **Online:** Use the Social Security Number Verification System (SSNVS). You can verify up to 10 names and numbers and receive immediate results. You can also upload batch files of up to 250,000 names and numbers and usually receive results the next business day. Visit <http://www.ssa.gov/employer/ssnv.htm>.
- **Phone:** Verify up to 10 names and numbers with Telephone Number Employer Verification (TNEV) by calling 1-800-772-6270 or 1-800-772-1213.
- **Paper:** Verify up to 300 names and numbers by submitting a paper request. For information, see Appendix A in the SSNVS handbook at <http://www.ssa.gov/employer/ssnvshandbk/appendix.htm>.

Form W-4, Employee's Withholding Allowance Certificate

To know how much federal income tax to withhold from employees' wages, you must have federal Form W-4 on file for each employee. The amount of federal income tax to withhold from an employee's wages is based on their filing status and the withholding allowances claimed on Form W-4. Ask all new employees to complete Form W-4 when they begin working. Form W-4 remains in effect until the employee gives you a new form to replace the existing one. If an employee does not give you a completed Form W-4, withhold tax as if they are single with zero withholding allowances. Keep all forms in your records. You must make Forms W-4 available upon request.

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Backup Withholding

If an employee does not provide you with their Social Security number, or if the number is incorrect, you must withhold 24 percent (.24) from wages for federal tax purposes. This is called backup withholding.

If you do not withhold the required amount, you may be liable for the tax, plus penalty and interest. For more information about federal backup withholding, see IRS Publication 1281.

Social Security and Medicare

The Federal Insurance Contributions Act (FICA) provides for a federal system of old-age, survivors, disability, and hospital insurance. The Social Security tax finances old-age, survivors, and disability insurance, while the Medicare tax finances hospital insurance.

Social Security and Medicare taxes are determined and reported separately and are levied on both you and your employees. As an employer, you must withhold and deposit the employee's part of the taxes and pay a matching amount. Generally, employee wages are subject to Social Security and Medicare taxes regardless of the employee's age or if the employee receives Social Security benefits.

For more information, see federal Form 941.

Federal Unemployment Tax (FUTA)

FUTA, along with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only the employer pays FUTA tax; it is not deducted from the employee's wages. FUTA is collected by the IRS.

For more information, see federal Form 940.

Minnesota Requirements for New Employees

For complete information regarding the following Minnesota requirements, contact the appropriate agency.

Form W-4MN, Minnesota Employee Withholding Allowance/Exemption Certificate

Your employees may complete Form W-4MN, *Minnesota Employee Withholding Allowance/Exemption Certificate*, to calculate their Minnesota withholding allowances separate from their federal withholding allowances. If an employee does not complete Form W-4MN, you may use the allowances from a federal Form W-4 the employee completed.

However, an employee **must** provide you with a completed Form W-4MN if they do any of the following:

- Choose to claim fewer Minnesota withholding allowances than federal withholding allowances
- Choose to claim more than 10 Minnesota allowances
- Request additional Minnesota withholding be deducted each pay period
- Claim to be exempt from Minnesota income tax withholding

If the employee does not give you a completed Form W-4 or W-4MN before the first wage payment, withhold Minnesota tax as if they are single with zero withholding allowances. You should honor each Form W-4MN you receive unless we notify you. You are not required to verify the number of allowances claimed by each employee. However, if the employee claims more Minnesota than federal allowances, use the number of federal allowances to determine the Minnesota withholding.

In certain situations, you must send us copies of Forms W-4MN. For details, see Form W-4MN. We may assess a \$50 penalty for each Form W-4MN you do not send us as required.

Backup Withholding

Minnesota follows the federal provisions for backup withholding on payments for *personal services only*. Personal services include any work performed for your business by anyone who is not your employee.

If a person does not provide you with their Social Security number or tax ID number, or if the number is incorrect, you must withhold 9.85 percent (.0985) from his or her wages for state tax purposes. This is called backup withholding.

If you do not withhold the required amount, you may be liable for the tax, plus penalty and interest.

For more information about Minnesota withholding, see the Minnesota Income Tax Withholding Instruction Booklet.

Residents of Michigan or North Dakota

Minnesota has income tax reciprocity agreements with Michigan and North Dakota. Generally, under these agreements, only the home state will tax personal service income earned by the resident while working in a reciprocity state. If a Michigan or North Dakota resident gives you a completed Form MWR, *Reciprocity Exemption/Affidavit of Residency*, you do not need to withhold Minnesota income tax from their wages. However, you must provide the completed Form MWR to us.

State Unemployment Tax (SUTA)

SUTA is an employer-paid tax and is not deducted from the employee's pay. After you register with the Minnesota Department of Employment and Economic Development, you will receive a rate notice. Use this rate to determine your liability. You pay SUTA on a quarterly basis.

For more information, go to the Minnesota Department of Employment and Economic Development's website at www.uimn.org, call 651-296-6141, or email ui.mn@state.mn.us.

Worker Compensation Insurance

Generally, all employers must carry worker compensation insurance.

To find out if you're required to carry the insurance, go to the Minnesota Department of Labor and Industry's website at www.dli.mn.gov or call the Worker Compensation Division at 651-284-5005 or 1 800 342-5354.

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Report New Hires

You must report the hiring or rehiring of any employee to the Minnesota Department of Human Services within 20 days of hiring the individual. Report new hires online at www.mn.gov/dhs.

If you do not have internet access, mail or fax a copy of the employee's Form W-4 to the Minnesota New Hire Reporting Center. (Be sure that boxes 8 and 10 are completed with the employer's information.) Fax the W-4 to 1-800-692-4473, or mail a copy to the Minnesota New Hire Reporting Center, P. O. Box 64212, St. Paul, MN 55164-0212. Other reporting methods include printed lists or new hire reporting forms.

For more information on reporting new hires, call 1-800-672-4473.

Other Resources

Business Education Workshops

We co-sponsor free business education classes throughout Minnesota to help you understand employment tax and employer responsibilities. To register, go to the department's website at www.revenue.state.mn.us and choose **Business Center**.

Minnesota Fact Sheets

We provide fact sheets to help you understand your state withholding responsibilities. Fact sheets are available at www.revenue.state.mn.us. If you do not have internet access, call 651-282-9999 or 1-800-657-3594 (toll-free) to request copies.

A Guide to Starting a Business in Minnesota

The Department of Employment and Economic Development publishes *A Guide to Starting a Business in Minnesota* that is available free of charge. You can get copies online at <https://mn.gov/deed> or by calling 651-259-7476 or 1-800-310-8323.

IRS Publications

Free publications are available from the IRS at www.irs.gov or by calling 1-800-829-3676. Publications you might find helpful are:

Pub. 15, (*Circular E*) *Employer's Tax Guide*

Pub. 15-A, *Employer's Supplemental Tax Guide*

Pub. 15-B, *Employer's Tax Guide to Fringe Benefits*

Pub. 51, (*Circular A*) *Agricultural Employer's Tax*

Pub. 583, *Starting a Business and Keeping Records*

Pub. 910, *Guide to Free Tax Services*

Pub. 926, *Household Employer's Tax Guide*

Pub. 1281, *Backup Withholding for Missing and Incorrect Name/TINs*

Pub. 1779, *Independent Contractor or Employee*

Information and Assistance

Minnesota Department of Revenue

Additional forms and information, including fact sheets and frequently asked questions, are available on our website.

Website: www.revenue.state.mn.us

Email: withholding.tax@state.mn.us

Phone: 651-282-9999 or 1-800-657-3594

This information is available in alternate formats.

Other Agencies

Internal Revenue Service

Website: www.irs.gov

Phone: 1-800-829-4933

Minnesota Department of Employment and Economic Development, Unemployment Insurance

Website: www.uimn.org/uimn

Email: deed.customerservice@state.mn.us

Phone: 651-296-6141 or 1-800-657-3858

A guide to Starting a Business in Minnesota Available at www.mn.gov/deed or call 651-259-7476 or 1-800-310-8323

Minnesota Department of Human Services

Website: www.mn.gov/dhs

MN New Hire Reporting Center: 1-800-672-4473

Minnesota Department of Labor and Industry

Website: www.dli.mn.gov

Worker Compensation Division: 651-284-5005 or 1-800-342-5354

U.S. Social Security Administration

To verify Social Security numbers

Website: www.ssa.gov/employer/ssnv.htm

Phone: 1-800-772-6270 or 1-800-772-1213

U.S. Citizenship and Immigration Services

Website: www.uscis.gov

Phone: 1-888-464-4218