

## Department of Revenue

### Revenue Notice # 03-08: Sales and Use Tax – Detective, Security, Burglar and Fire Alarm, and Armored Car Services – Revocation of Revenue Notices #92-06 and #03-07

Detective, security, burglar, fire alarm, and armored car services are taxable under Minnesota Statutes, section 297A.61, subdivision 3, paragraph (g), clause (6), item (iv). In administering this provision, the Department of Revenue will apply the licensing statutes pertaining to these types of services (except for burglar and fire alarm services) to determine whether particular services are taxable. Those services that are required to be licensed are taxable, regardless of whether the business that performs the services is in fact licensed.

#### Detective Services

Taxable detective services are services provided by an individual, partnership, or corporation that is required to be licensed under Minnesota Statutes, sections 326.32 to 326.339 when the individual, partnership, or corporation is in the business of investigating to obtain information for others. Investigating means to discover, verify or confirm information through surveillance, interviews, or physical contacts. Investigating does not mean to obtain information available through public or other records unless performed as part of a taxable detective service.

The following services are examples of taxable detective services:

- investigating crimes, wrongdoings, or threats against the government of the United States or of any state, county, or municipal subdivision
- investigating the identity, habits, conduct, movements, whereabouts, transactions, reputation, or character of any person or organization
- investigating the credibility of witnesses or other persons
- investigating the location or recovery of lost or stolen property
- investigating the origin of and responsibility for libels, losses, accidents, or damage or injuries to persons or property
- investigating the affiliation, connection, or relationship of any person, firm, or corporation with any organization, society, or association, or with any official, representative, or member thereof
- investigating the conduct, honesty, efficiency, loyalty, or activities of employees, persons seeking employment, agents, or contractors and subcontractors
- obtaining through investigation evidence to be used before any authorized investigating committee, board of award, board of arbitration, administrative body, or officer or in preparation for trial of civil or criminal cases
- investigating the identity or apprehension of persons suspected of crimes or misdemeanors

#### Security Services

Security services are services provided by an individual, partnership, or corporation that is required to be licensed under Minnesota Statutes, sections 326.32 to 326.339 when the individual, partnership, or corporation is in the business of providing security services are taxable.

The following services are examples of taxable security services:

- protecting persons or their property
- preventing the theft of goods, merchandise, or money
- preventing the misappropriation or concealment of goods, merchandise, money, or other valuable things or procuring the return of those things
- responding to any alarm signal device, burglar alarm, television camera, still camera, or a mechanical or electronic device installed or used to prevent or detect burglary, theft, shoplifting, pilferage, losses, or other security measures
- controlling motor traffic on public streets, roads, and highways for the purpose of escorting a funeral procession and oversized loads
- providing management and control of crowds for safety and protection

### **Exempt Detective and Security Services**

Services performed by the following businesses or individuals are specifically exempted from the licensing requirements under Minnesota Statutes, section 326.3341 or are excluded from the definition of a “security guard” under Minnesota Statutes, section 326.32, subdivision 13, paragraph (b), and are therefore nontaxable services:

- an employee while providing security or conducting an investigation of a pending or potential claim against the employee’s employer
- an auditor, accountant, or accounting clerk performing audits or accounting functions
- an attorney while performing the duties of an attorney or an investigator employed exclusively by an attorney or a law firm engaged in investigating legal matters
- a licensed insurance adjuster engaged in the business of adjusting insurance claims
- a licensed collection agency or finance company doing investigations relating to the business of the agency or company
- a person obtaining and furnishing financial or credit information or information on the personal habits of applicants for insurance, indemnity bonds, or commercial credit
- a person temporarily employed under statute or ordinance by political subdivisions to provide protective services at social functions
- a person employed to perform primarily maintenance or custodial functions

The services performed by the following businesses or individuals are specifically exempt under Minnesota Statutes, section 297A.61, subdivision 3, paragraph (g), clause (6), item (iv), and the undesignated paragraph immediately following item (viii):

- an off-duty peace officer within the jurisdiction the peace officer normally serves
- a nonprofit organization performing monitoring and electronic surveillance of persons on in-home detention by court order or direction of the Minnesota Department of Corrections
- a partnership or association for another partnership or association if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity
- members of an affiliated group of corporations who are eligible to file a consolidated tax return

for federal income tax purposes

- an employee for an employer

The following are examples of services that are not taxable if they are the only services provided and are not performed as part of a taxable detective or security service:

- collecting payment for a debt
- court testimony
- courthouse record retrieval services
- credit rating checks
- credit reporting services
- damage appraisals
- expert witness services
- financial background checks
- finger printing
- insurance services such as loss prevention, insurance reporting, or insurance research
- lien searches
- negotiations for insurance claim settlements
- medical security system monitoring for individuals
- process server services
- repossession services
- restaurant inspections that provide information on cleanliness, quality, and timeliness of service
- service of notice or other document to a witness or any other person in connection with any criminal, civil, or administrative litigation, including filing court documents (garnishments and warrants)
- soliciting any debtor to pay bills
- inspecting and securing buildings by contractors for property owners

### **Burglar and Fire Alarm Services**

Taxable burglar and fire alarm services under Minnesota Statutes, section 297A.61, subdivision 3, paragraph (g), clause (6), item (iv) are not licensed in Minnesota. Thus, the following are examples of taxable services typically performed by the industry:

- Monitoring burglar and fire alarms and smoke detectors (electronic signal or visual devices)
- Maintaining burglar and fire alarms and smoke detectors (routine tasks ensuring reliability, but not including repairs)

- Testing burglar and fire alarms and smoke detectors
- Responding to burglar alarms (this item is also included as a taxable service under the heading “Security Services”)

### **Armored Car Services**

Taxable armored car services under Minnesota Statutes, section 297A.61, subdivision 3, paragraph (g), clause (6), item (iv) are those for the protection of persons or property requiring a protective agent to be licensed under Minnesota Statutes, section 326.338, subdivision 4, clause (3).

### **Revocation of Previous Revenue Notices**

Revenue Notice # 92-06: Sales and Use Tax – Detective and Security Services; and Revenue Notice # 03-07: Sales and Use Tax – Burglar and Fire Alarm, Detective, Security, and Armored Car Services – Revocation of Revenue Notice # 92-06, are hereby revoked.

Raymond R. Krause

Assistant Commissioner

Publication Date: August 11, 2003