



News Release

CONTACT Ryan Brown
PHONE 651-556-6750
E-MAIL ryan.brown@state.mn.us

FOR IMMEDIATE RELEASE

June 18, 2012

Contact: Ryan Brown
Phone: 651-556-6750
[Ryan.brown@state.mn.us](mailto:ryan.brown@state.mn.us)

Minnesota repeals ‘2 percent withholding’ for individual construction contractors *Like all workers, independent contractors must file and pay state taxes when required*

ST. PAUL, Minn. – Effective July 1, 2012, construction companies in Minnesota no longer have to withhold state income tax for certain self-employed workers used on construction projects.

A recent law change ended the previous requirement to withhold 2 percent from payments to independent contractors in the construction trades, or “individual construction contractors.” These workers include self-employed tradespeople – such as electricians, plumbers and carpenters – or others hired by a construction company for a specific project or task. (The change applies to payments after June 30.)

Independent contractors are required to report and pay taxes on their income, like any other taxpayer. They may request to have state income tax withheld from their payment. The business paying them may agree to such “voluntary withholding,” but isn’t required to do so.

The Minnesota Department of Revenue is updating its Withholding Tax return to reflect the new law for the third-quarter filing period (July 1 – Sept. 30). From that point on, businesses should report any withholding from contractor payments in the “Total Minnesota income tax withheld” field of the return.

This law change doesn’t apply to employees of construction companies. They are still subject to withholding from their wages.

For more information, visit our website at www.revenue.taxes.state.mn. Click on “Businesses > Withholding Tax” and then select “What’s New.”

The 2 percent withholding requirement was repealed under [2012 Minnesota Laws, Chapter 295, Article 2, Section 13\(c\)](#).

#####