

**This notice was revoked on August 11, 2003 by Revenue Notice # 03-08.**

## Department of Revenue

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

Effective July 1, 1999, Revenue Notice # 92-06 is revoked and replaced with this notice which describes detective and security services that are taxable under *Minnesota Statutes*, section 297A.01, subdivision 3, paragraph (i), clause (iv). Taxable detective and security services are now defined as those requiring the service provider to be licensed under *Minnesota Statutes*, chapter 326, Private Detectives, Protective Agents. As a result of this change the following services are exempt from sales or use tax, unless they are part of a taxable detective or security service: insurance claim investigations; record retrieval services (obtaining birth/death certificates, financial reports, etc.); personal security systems programming maintenance and monitoring (medical alert bracelets or pendants); and inspecting and securing buildings (boarding up windows, winterizing, etc.) by contractors for property owners.

#### Burglar and Fire Alarm Services

Examples of taxable burglar and fire alarm services include:

- 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

Taxable detective services are those services that require an individual, partnership, or corporation 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. Services that require licensure under *Minnesota Statutes*, chapter 326, are taxable even if the business that performs the service is not licensed. 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.

Examples of taxable detective services include:

- investigating crimes or wrongs done or threatened 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

Armored car services and security services that require an individual, partnership, or corporation to be

licensed under Minnesota Statutes, section 326.32 to 326.339 when the individual, partnership, or corporation is in the business of providing security services are taxable. Services that require licensure under Minnesota Statutes, chapter 326, are taxable even if the business that performs the service is not licensed.

Examples of taxable security services include:

- 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
- physically 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
- providing armored car services for the protection of persons or property
- 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

### **Application of Tax**

Sales tax must be charged on the total charges for providing taxable services performed in Minnesota. The taxable charges include expenses that are directly reimbursed by the client, such as mileage and other travel expenses, lodging and meal expenses, and fees paid for copies of records. If the service is performed partly in Minnesota and partly outside of Minnesota, sales tax must be charged if the greater part of the charge is for services performed within Minnesota. Monitoring of fire or burglar alarm systems located in Minnesota is considered a service performed in Minnesota and is subject to sales tax, even if the monitoring is provided from a location outside of Minnesota, since the customer receives the benefit of the service in Minnesota.

### **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 exempt under Minnesota Statutes, section 297A.03, subdivision 3, and are therefore nontaxable services.

- an employee for an employer
- an auditor, accountant, or accounting clerk performing audits or accounting functions
- an off-duty peace officer within the jurisdiction the peace officer normally serves
- an attorney while performing the duties of an attorney
- 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
- 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
- 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

The following are examples of nontaxable services unless 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 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 checks that provide information on cleanliness, quality, and timeliness
- 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

Revenue Notice # 92-06: Sales and Use Tax – Detective and Security Services, is hereby revoked.

This Revenue Notice is effective July 1, 1999.

Raymond R. Krause  
Assistant Commissioner

Publication Date: June 30, 2003