

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Withholding Imposed on Payments to Construction Contractors

April 15, 2004

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of H.F. 3179 (Abrams), Section 1, Preliminary Analysis

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning July 1, 2004.

EXPLANATION OF THE BILL

Current Law: In general, withholding tax on payments for services rendered applies to wages paid by employers to employees, and not to payments made to independent contractors.

Proposed Law: The proposal would require anyone engaged in a trade or business, who in the course of that activity makes payments to a specialty construction trades contractor, to withhold 2% of payments made if payments to that person exceed \$600 in a calendar year.

REVENUE ANALYSIS DETAIL

- There might be a small shift in revenue collections if the timing of withholding payments does not match that of quarterly estimated tax payments (if any) made by construction trades contractors.
- It is not known what effect this proposal would have on compliance.

Number of Taxpayers: Unknown.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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