

## 2012 Reciprocity Exemption for Individual Construction Contractors

For individual construction contractors (payees) who are Michigan or North Dakota residents performing work for a construction contractor (payer) in Minnesota

### Note: Law Change for Individual Construction Contractors

After June 30, 2012, businesses are no longer required to withhold 2 percent from payments made to individual construction contractors. For details, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and see "Law Change for Individual Construction Contractors" under the What's New tab in Withholding Tax.

Read instructions on back. Please print.

#### Individual construction contractor (payee): Complete this form and give it to the construction contractor (payer).

Last name of individual construction contractor (payee)	First name and initial	Social Security number
Permanent home address		
City	State (check one) <input type="checkbox"/> Michigan <input type="checkbox"/> North Dakota	Zip code
Business address (if different than above)		
City	State	Zip code

**1** I have lived at the above residence since (month and year) \_\_\_\_\_.

**2** Do you return to the above residence at least once a month? ..... ☐ YES ☐ NO\*  
\* If your answer is NO, you do not qualify for the reciprocity exemption.

**3** Were you ever a resident of Minnesota? ..... ☐ YES, from \_\_\_\_\_ to \_\_\_\_\_ ☐ NO  
(month/year) (month/year)

Name of <b>current</b> Minnesota construction contractor (payer)	Minnesota tax ID number
Address of Minnesota construction contractor (payer)	Phone
City	State <b>Minnesota</b>
	Zip code

I declare that the above information is correct and complete to the best of my knowledge and belief.  
I understand there is a \$500 penalty for making false statements.

Signature of independent construction contractor (payee)	Date	Daytime phone
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#### Construction contractor (payer):

Mail this form to Minnesota Revenue, Mail Station 6501, St. Paul, MN 55146-6501.  
Keep a copy for your records.

**Note:** If this form is not filled out completely, you must withhold 2 percent income tax from payments made for work performed in Minnesota.

# Form ICCR Instructions

## Note: Law Change for Individual Construction Contractors

After June 30, 2012, businesses are no longer required to withhold 2 percent from payments made to individual construction contractors. For details, see "Law Change for Individual Construction Contractors" under the What's New tab in Withholding Tax on our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

## Individual Construction Contractors (Payees)

### Qualifying Information Regarding Residency

Minnesota has income tax reciprocity agreements with Michigan and North Dakota. If you are a resident of one of these states and you return to your state of residence at least once a month:

- income from personal services is exempt from Minnesota income tax; and
- payments for personal services you receive as an individual construction contractor are not subject to the 2 percent Minnesota withholding.

*Note:* The income tax reciprocity agreement between Minnesota and Wisconsin ended Dec. 31, 2009.

### Qualifying Information Regarding Personal Service Income and Business Income

**Personal service income** (payments for professional services personally provided by you) **qualifies** for the reciprocity exemption.

**Business income** generated by your employees or resulting from the sale of goods **does not qualify** for reciprocity if that income is more than incidental. The services performed by employees or sales of goods are incidental if they are a minor contribution to the income of the business. The salary you pay all employees, together with the gross profit from the sales of goods, is presumed incidental if it is less than the greater of either \$20,000 or 10 percent of the gross profit of the business.

### If You Qualify for the Reciprocity Exemption and Do Not Want Minnesota Income Tax Withheld From Your Pay

To avoid having Minnesota income tax withheld from your pay, you must complete Form ICCR and give it to the construction contractor (payer) before they make payment to you. You must provide a new

form by Feb. 28 of each calendar year you work for the construction contractor and qualify for this reciprocity exemption. If you do not complete this form and give it to the construction contractor, they are required to withhold 2 percent of Minnesota income tax from payments made to you.

### Fill Out the Form Completely

If you do not complete every item on this form, the construction contractor (payer) is required to withhold 2 percent Minnesota income tax from your pay.

### Penalties

If you knowingly make any statements on this form you know are incorrect, you may be assessed a \$500 penalty.

### Use of Information

All information on Form ICCR is private by state law. It may only be given to your state of residence, the Internal Revenue Service and to other state tax agencies as provided by law. The information may be compared with other information you furnished to the Department of Revenue. Your name, address and Social Security number are required for identification. Your address is also required to verify your state of residence. The construction contractor's name, Minnesota tax ID number, address and phone number are required in case we have to contact them regarding the tax withheld from your pay. The only information not required is your phone number. However, we ask that you provide it so we can contact you quickly if we have questions.

## Construction Contractors (Payers)

If you are making payment to an individual construction contractor (payee) who is a resident of a reciprocity state and they have not given you a properly completed Form ICCR, you must withhold 2 percent income tax from their pay for work performed in Minnesota.

In addition, individual construction contractors (payees) are required to give you a new Form ICCR each calendar year by Feb. 28.

Send the completed form within 30 days of receipt to Minnesota Revenue, Mail Station 6501, St. Paul, MN 55146-6501. You must keep a copy of all Forms ICCR for five years from the date received. You may be assessed a \$50 penalty for each form you are required to send us but do not.

## The Law

Construction contractors are required to deduct and withhold 2 percent Minnesota income tax from payments made to individual construction contractors for work performed in Minnesota. Payments are subject to 2 percent withholding if the work was performed in Minnesota and the total payments during the year exceed \$600. [M.S. 290.92, *subd. 4a(3) and 31*]

### Definitions

A **construction contractor (payer)** is any individual or business entity carrying on a trade or business described in industry code numbers 23 through 238990 of the North American Industry Classification System (NAICS). For a description of the industry codes, go to [www.naics.com](http://www.naics.com).

Examples of construction trades covered by this law include, but are not limited to, residential and commercial building construction, residential remodeling, framing and finish carpentry, masonry, roofing and siding, electrical contracting, plumbing and HVAC, drywall, painting and flooring.

An **individual construction contractor (payee)** is any individual carrying on a trade or business as a sole proprietorship described in industry code numbers 23 through 238990 of the NAICS. A single member Limited Liability Company (LLC) is not a sole proprietorship for purposes of this law.

The term "**carrying on a trade or business**" generally includes any activity conducted for the production of income from selling goods or performing services. Carrying on a trade or business includes all business activities (primary, secondary, etc.).

## Information and Assistance

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

Website: [www.revenue.state.mn.us](http://www.revenue.state.mn.us)

Email: [withholding.tax@state.mn.us](mailto:withholding.tax@state.mn.us)

Phone: 651-282 9999 or 1-800-657-3594.  
(TTY: Call 711 for Minnesota Relay)

We'll provide information in other formats upon request to persons with disabilities.