

## Withholding Fact Sheet 4, Fairs and Special Events

This fact sheet explains Minnesota income tax withholding responsibilities as they relate to vendors at fairs and special events. If you have questions or need to obtain forms mentioned in this fact sheet, see “Information and Assistance” on page 2.

If you pay anyone, including your spouse, children, other family members, friends, or students, to work for you at a fair/event, they are your employee. You must withhold Minnesota income tax from any compensation you provide them, including cash, goods, or services in exchange for working.

Examples of goods include novelty items, clothing, items from your inventory, reductions in tuition at educational institutions, etc. Examples of services include accounting, cleaning, remodeling, repair work, etc.

Withhold tax from anyone who works in Minnesota. However, do not withhold Minnesota tax from nonresidents who will earn less in Minnesota wages than the minimum income required to file a Minnesota individual income tax return. The minimum filing requirement changes each year. For tax year 2019, this amount is \$12,200.

**Employees Who are Residents of Michigan or North Dakota.** Minnesota has income tax reciprocity agreements with Michigan and North Dakota. Generally, under these agreements, only the home state will tax personal service income earned by the resident while working in a reciprocity state. Therefore, if an employee who is a resident of a reciprocity state gives you a completed Form MWR, *Reciprocity Exemption/Affidavit of Residency*, you are not required to withhold Minnesota income tax from their wages. It is your responsibility, as an employer, to submit the completed form to the Minnesota Department of Revenue.

**Corporate Officers.** Corporate officers who provide services for a corporation (whether an S corporation or C corporation) are considered employees of the corporation. As with any other employee, the officer should be paid a reasonable wage for the services performed. A reasonable wage is the amount you would expect to pay someone else to provide services similar to those provided by the officer. You must withhold Minnesota income tax from any compensation given to officers including cash, goods, or services in exchange for working.

### Register for Withholding Tax

Before you start withholding Minnesota income tax from your employees' wages, you must have a Minnesota Tax ID Number and be registered for withholding tax. You may be assessed a \$100 penalty if you fail to do so.

If you are a new employer, see Withholding Fact Sheet 10, *New Employer Guide*, for important information. If you do not have a Minnesota tax ID number, apply online at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) or call us at 651-282-5225 or 1-800-657-3605 (toll-free).

If you already have a Minnesota ID number for other taxes for the same business, you can use the same number for withholding tax. To update your account, go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.

### Withholding Tax From Wages

**Federal Withholding Allowances.** You must have all new employees complete federal Form W-4 (available at [www.irs.gov](http://www.irs.gov)) and Minnesota Form W-4MN, *Minnesota Employee Withholding Allowance/Exemption Certificate*, when they begin employment to determine the number of withholding allowances to claim. If a new employee does not give you a complete federal Form W-4 or Minnesota Form W-4MN before the first wage payment, withhold tax as if they are single with zero withholding allowances.

**Minnesota Withholding Allowances.** If an employee has already completed a 2019 or earlier federal Form W-4, you may use the allowances from the federal Form W-4.

If the employee completes a 2020 federal Form W-4, they must complete a 2020 Minnesota Form W-4MN.

For complete information, see:

- Withholding Fact Sheet 9, *Definition of Wages*
- Withholding Fact Sheet 10, *New Employer Guide*
- Form W-4MN

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## How to Pay

For payment options, go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and select **Make a Payment** under **For Businesses**.

You're required to pay electronically if any of the following apply:

- You withheld more than \$10,000 during the last 12-month period ending June 30
- You are required to electronically pay any other Minnesota business tax
- You use a payroll service company

If you're required to pay business taxes electronically for one year, you must continue to do so for all future years.

## How to File

You must electronically file all Minnesota withholding tax returns, including past-due and amended returns using one of our filing and paying systems:

- Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services
- Call 1-800-570-3329

## Responsibilities for Other Taxes

### Backup Withholding

Minnesota follows the federal provisions for backup withholding on payments for *personal services only*. Personal services include any work performed for your business by anyone who is not your employee.

If the person doesn't provide you with a Social Security or Tax ID Number, or if the number is incorrect, you must withhold 9.85% Minnesota tax from their pay. This is called backup withholding.

If you do not withhold the required amount, you may be liable for the tax plus penalty and interest.

For more information on Minnesota backup withholding, refer to the Minnesota Income Tax Withholding Instruction Booklet. For more information on federal backup withholding, see Publication 15, *Circular E* and Publication 1281, *Backup Withholding for Missing and Incorrect Name/TINs*.

### Nonresident Entertainer Tax

Self-employed nonresident entertainers who receive compensation for performances in Minnesota are not subject to the regular Minnesota income tax provisions. Instead, there is a 2% (.02) nonresident entertainer tax on the gross compensation the entertainment entity receives for performances in Minnesota.

Entertainers include musicians, singers, dancers, comedians, actors, athletes, and public speakers. Entertainers can be individuals, corporations, or partnerships. The person responsible for paying the entertainer or entertainment entity must deduct the tax and send it to the department.

For more information, see Withholding Fact Sheet 11, *Nonresident Entertainer Tax*.

### Sales Tax

If you make taxable sales at a flea market, collectors' show, craft show, antique show, county fair, trade show, or similar event, you must be registered to collect the Minnesota sales tax before the event begins.

For more information, see Sales Tax Fact Sheet 154, *Arts and Crafts*, and Sales Tax Fact Sheet 148, *Selling Event Exhibitors and Operators*.

If you have any sales or use tax questions, email us at [SalesUse.Tax@state.mn.us](mailto:SalesUse.Tax@state.mn.us) or call 651-296-6181 or 1-800-657-3777 (toll-free).

### Annual Business Taxes

You may also be required to file other tax returns such as corporation franchise, partnership, or individual income tax. For more information, visit our website, email [Business.Registration@state.mn.us](mailto:Business.Registration@state.mn.us), or call 651-282-5225 or 1-800-657-3605 (toll-free).

## 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

This information is available in alternate formats.

### Internal Revenue Service

Website: [www.irs.gov](http://www.irs.gov)

Phone: 1-800-829-4933