

Detective and Security Services

*Sales Tax Fact Sheet 114***What's New**

We made general updates to this fact sheet.

Taxable Detective Services

Taxable detective services are services provided by those in the business of investigating to obtain information for others. Expenses such as meals, phone calls, hotel rooms, or plane tickets directly related to and incurred while providing detective services are taxable even if separately stated.

Examples of taxable detective services:

- Investigating:
 - Crimes or threats against the United States government or any state, county, or municipal subdivision
 - Personal or organization character, habits, movements, whereabouts, reputation, etc.
 - Witness credibility
 - Location or recovery of lost or stolen property
 - Origin of and responsibility for accidents, damages, or injuries to persons or property
 - Affiliations, connections, or relationships of people and organizations or associations
 - Conduct or activities of employees, applicants, agents, contractors, and subcontractors
 - Evidence for use in trial of civil or criminal cases
 - Persons suspected of crimes or misdemeanors, including identification services or apprehension

Investigating means to discover, verify, or confirm information through surveillance, interviews, or physical contacts. Investigating does not mean to compile information available through public or other records, unless performed as part of a taxable detective service.

Example

- A businessman hires a private detective to find birth certificates and credit reports and verify their accuracy for several of his clients. The entire fee charged by the detective is taxable, including fees for record retrieval.

Nontaxable Detective Services

Examples of nontaxable detective services:

- A person obtaining and furnishing financial or credit information or information on the personal habits of applicants for insurance, indemnity bonds, or commercial credit
- Attorney performing normal job duties
- Auditor, accountant, or accounting clerk conducting audits or accounting functions
- Employee of a business investigating a claim against their employer
- Licensed collection agency or finance company conducting investigations related to the business of the agency or company
- Licensed insurance adjuster engaged in insurance adjustment claims
- Off-duty peace officer within the jurisdiction they normally serve

Examples of nontaxable services when billed separately and not performed as part of a taxable detective service:

- Collecting payment for any debt
- Court testimony
- Courthouse record retrieval services
- Credit rating checks
- Credit reporting services
- Damage appraisals
- Expert witness services
- Financial background checks
- Fingerprinting
- Inspecting and securing buildings by contractors for property owners
- Insurance services such as loss prevention, insurance reporting, or insurance research
- Lien searches
- Medical security system monitoring for individuals
- Negotiations for insurance claim settlements
- Process server services
- Repossession services
- Restaurant inspections for 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

Examples

- An attorney hires a records research company to obtain copies of liens and other public records. The records research company's service of gathering the records is not taxable.
- An insurance adjuster is hired to investigate a person who filed a worker's compensation claim. The fees charged by the insurance adjuster are not taxable.

Security Services

Taxable Security services are intended to prevent a crime or keep persons or property free from risk or danger.

Examples of taxable security services include:

- Armored car services
- Badge checking
- Bodyguards
- Bouncers
- Crowd control
- Employee security services
- Guard dog lease or rental
- Identity theft protection and monitoring
- Off-duty police officers, unless performed within the officer's normal jurisdiction
- Passenger security
- Patrol services (foot or mobile)
- Security guards (plain clothes or uniformed)
- Ticket takers, when they have security duties
- Traffic control for escorting a funeral procession and oversized loads
- Ushers, when they have security duties

Examples of nontaxable services:

- Coat checks (without security duties)
- Document storage
- Shredding paper
- Traffic and parking control, unless for funeral processions or oversized loads on public roads

Burglar and Fire Alarm Services

Examples of taxable burglar and fire alarm services:

- Monitoring burglar alarms, fire alarms, and smoke detectors (electronic signal or visual devices)
- Maintaining burglar alarms, fire alarms, and smoke detectors (routine tasks ensuring reliability but not including repairs)
- Testing burglar alarms, fire alarms, and smoke detectors
- Responding to burglar alarms

Examples of nontaxable burglar and fire alarm services:

- Fire extinguisher refilling, tagging, and truck charges

In-Home Detention Services

Services provided by any organization at the direction of a county for monitoring and electronic surveillance of persons placed on in-home detention required by a court order or by the Minnesota Department of Corrections are not taxable

Security Systems

Security systems may be real property or tangible personal property depending on how they are incorporated into the building or structure. For more information, see the Contractors and Other Property Installers Industry Guide.

Exempt Purchases

There is an exemption for purchases of certain materials used or consumed in providing taxable detective or security services.

Examples of exempt materials include:

- Ammunition
- Batteries for communication equipment
- Copies of medical records and other documents
- Deposition copies (paper, video)
- Guard dog food
- Lubricants and antifreeze for vehicles used while providing taxable services
- Mace
- Pepper spray
- Polygraph consumables
- Supplies used to prepare client reports (paper, forms, toner, pens)
- Tapes (audio, video)

To purchase supplies exempt from sales tax, give your supplier a completed Form ST3, *Certificate of Exemption*.

Note: If you buy materials exempt from tax but use them in providing nontaxable services, you must pay use tax on those materials.

Taxable Purchases

Purchases for general business or administrative purposes are taxable.

Examples of taxable items include:

- Building cleaning and maintenance services
- Equipment and machinery
- Fuel, electricity, and gas used for space heating or lighting
- Furniture
- Lawn care services
- Linen supply or other laundry services
- General office supplies
- Specialty advertising materials
- Telephone service
- Training materials and supplies

Pay sales tax to your supplier when you buy these items or report use tax on your cost of the items on your Sales and Use Tax Return. See Use Tax.

Sales to Nonprofit Organizations

Qualifying nonprofit organizations must give you a completed Form ST3, *Certificate of Exemption*, to purchase items exempt from sales tax.

Equipment Sales

If you sell or lease equipment or other items that were used in your business, the sale may be taxable. For more information, see the Isolated and Occasional Sales Fact Sheet.

Use Tax

If you buy taxable items or services that are used, stored, or consumed in Minnesota without paying sales tax, you owe use tax. For more information, see the Use Tax for Businesses Fact Sheet.

How to Report Sales and Use Tax

You can report state and local sales and use taxes online at www.revenue.state.mn.us. If you don't have internet access, you can file by phone. Call 1-800-570-3329.

Local Sales and Use Taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see the Local Sales and Use Tax Guide.

Legal References

Minnesota Statute 297A.61, subd. 3(g)(6)(iv), Sale and purchase

Revenue Notices

98-23, *Application of Tax to Copies*

19-04, *Detective, Security, Burglar and Fire Alarm, and Armored Car Services*

Fact Sheets

Contractors

Isolated and Occasional Sales

Sales to Governments

Use Tax for Businesses

Guides

Contractors and Other Property Installers

Local Sales and Use Tax