

Withholding Fact Sheet 4, Fairs and Special Events

This fact sheet explains Minnesota income tax withholding responsibilities related to vendors at fairs and special events.

If you pay anyone, including your spouse, children, other family members, friends, or students, to work for you at a fair or 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, or tuition deductions for educational institutions. Examples of services include accounting, cleaning, remodeling, or repair work.

Withhold tax from anyone who works in Minnesota. 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 2022, this amount is \$12,900.

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. 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. Submit the completed form MWR 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 receive 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 what the officer provides. 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. We can assess 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 ID number, apply online at www.revenue.state.mn.us or call us at 651-282-5225 or 1-800-657-3605.

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 and log in to e-Services.

Withholding Tax From Wages

Minnesota Withholding Allowances. You must have all new employees complete a Minnesota Form W-4MN when they begin employment to determine the number of withholding allowances they may claim. If a new employee does not give you a complete Form W-4MN before the first wage payment, withhold Minnesota tax as if they are single with zero withholding allowances.

If an employee completed a federal Form W-4 from 2019 or prior years, you may continue to use the allowances determined on that form. If the employee completes a new Form W-4, they must complete a new Form W-4MN for Minnesota withholding allowances.

For more information, see:

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

How to Pay

For payment options, go to www.revenue.state.mn.us and select **Make a Payment** under **For Businesses**.

You're required to pay electronically if any of these 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 do so for all future years.

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How to File

You must electronically file all Minnesota withholding tax returns, including past-due and amended returns. To file electronically, go to www.revenue.state.mn.us and log in to e-Services.

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 does not 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 instructions. For more information on federal backup withholding, see IRS 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% 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 or call 651-296-6181 or 1-800-657-3777.

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, or call 651-282-5225 or 1-800-657-3605.

Information and Assistance

Additional forms, information, and fact sheets are available on our website.

Website: www.revenue.state.mn.us

Email: 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

Phone: 1-800-829-4933