

2 PERCENT MINNESOTA INCOME TAX WITHHOLDING ON CONSTRUCTION CONTRACTORS

New Law

Beginning January 1, 2009, a construction contractor who makes payments to an individual construction contractor carrying on a trade or business as a sole proprietorship must deduct and withhold 2 percent of the payment as Minnesota income tax withholding. This applies to work performed in Minnesota and the payments during the year exceed \$600.

Examples of Trades Covered

Residential and commercial building construction
Residential remodeling
Framing and finish carpentry
Masonry
Roofing and siding
Electrical contracting
Plumbing and HVAC
Drywall and insulation
Painting and wall covering
Flooring
Other specialty trades

Reporting

Form 1099-MISC must be issued to individual construction contractors who are paid \$600 or more. Enter the 2 percent withholding tax in the box labeled "State Tax Withheld."

Minnesota Tax Identification Number

If you are required to withhold tax, you must apply for a seven-digit Minnesota tax ID number if you do not already have one.