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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **879**

February 12, 2007
Authored by Nelson
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; requiring withholding on certain contractor payments;
1.3 amending Minnesota Statutes 2006, section 290.92, by adding a subdivision.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2006, section 290.92, is amended by adding a
1.6 subdivision to read:

1.7 Subd. 31. **Payments to persons who are not employees.** (a) For purposes of this
1.8 subdivision, "contractor" means a person carrying on a trade or business described in
1.9 industry code numbers 23 through 238990 of the North American Industry Classification
1.10 System.

1.11 (b) A contractor who makes payments to an individual, other than an employee, for
1.12 work must deduct and withhold two percent of the payment as Minnesota withholding
1.13 tax when the amount the contractor paid to that individual during the calendar year
1.14 exceeds \$600.

1.15 (c) A payment subject to withholding under this subdivision must be treated as if
1.16 the payment were a wage paid by an employer to an employee. The requirements in the
1.17 definitions of "employee" and "employer" in subdivision 1 relating to geographic location
1.18 apply in determining whether withholding tax applies under this subdivision, but without
1.19 regard to whether the contractor or the individual otherwise satisfy the definition of an
1.20 employer or an employee. Each recipient of a payment subject to withholding under this
1.21 subdivision must furnish the contractor with a statement of the recipient's name, address,
1.22 and Social Security account number.

- 2.1 **EFFECTIVE DATE.** This section is effective for payments made after July 31,
- 2.2 2007.