This fact sheet explains your Minnesota income tax withholding and other tax responsibilities as a new employer. If you need more information, contact the appropriate agency (see “Information and Assistance” on page 3).

Register for Required ID numbers
Generally, Minnesota employers must register for a federal employer tax ID number (FEIN), Minnesota tax ID number and a Minnesota unemployment insurance employer account number.

FEIN. The FEIN is a nine-digit number assigned by the Internal Revenue Service (IRS) and is used to report federal income tax withholding, Social Security, Medicare and federal unemployment tax (FUTA).

To register for a FEIN, apply online at www.irs.gov or call 1-800-829-4933. To register by mail, complete Form SS-4, Application for Employer Identification Number, and mail or fax it to the IRS, as explained in the SS-4 instructions.

Minnesota Tax ID Number. The Minnesota tax ID number is a seven-digit number assigned by the Department of Revenue and is used to report Minnesota business taxes.

As a new employer, you must apply for a Minnesota tax ID number and register for a withholding tax account before you withhold tax from your employees’ wages. If you fail to do so, you may be assessed a $100 penalty.

To register for a Minnesota tax ID number, apply online at www.revenue.state.mn.us (click “Starting a Business”) or call 651-282-5225 or 1-800-657-3605.

Minnesota UI Employer Account. The Minnesota UI employer account number is assigned by the Minnesota Department of Employment and Economic Development (DEED) and is used to report state unemployment tax (SUTA).

To register for a Minnesota UI employer account number, apply online at www.uimn.org.

Federal Requirements for New Employees
For complete information regarding the following federal requirements and how to determine and pay federal employment taxes, see the IRS Publication 15, Circular E, Employer’s Tax Guide (see “Information and Assistance” on page 3).

Verify Work Eligibility of Employees
Form I-9, Employment Eligibility Verification, is used to verify eligibility for employment and identify employees hired to work in the United States. Require your employees to complete Form I-9 when they begin working. As an employer, you must keep I-9 forms on file for three years from the date of hire or for one year after the employee’s separation from service, whichever is later. The forms must be made available upon request.

For more information, go to the U.S. Citizenship and Immigration Services website at www.uscis.gov or call 1-888-464-4218.

Verify Social Security Numbers
The Social Security Administration offers employers and authorized reporting agents three methods for verifying employee Social Security numbers. Some verification methods require registration. For more information, call 1-800-772-6270.

- Online: Verify up to 10 names and numbers (per screen) using the Social Security Number Verification Service (SSNVS) and receive immediate results, or upload batch files of up to 250,000 names and numbers and usually receive results the next business day. Visit http://www.ssa.gov/employer/ssnv.htm.

- Phone: Verify up to 10 names and numbers with Telephone Number Employer Verification (TNEV) by calling 1-800-772-6270 or 1-800-772-1213.

- Paper: Verify up to 300 names and numbers by submitting a paper request. For information, see Appendix A in the SSNVS handbook at http://www.ssa.gov/employer/ssnvshandbk/appendix.htm.

Form W-4, Employee’s Withholding Allowance Certificate
To know how much federal income tax to withhold from employees’ wages, you must have Form W-4, Employee’s Withholding Allowance Certificate, on file for each employee. The amount of federal income tax to withhold from an employee’s wages is based on his or her filing status and the withholding allowances claimed on the W-4. Ask all new employees to complete Form W-4 when they begin working. The W-4 form remains in effect until the employee gives you a new W-4 that replaces the existing one. If an employee does not give you a completed Form W-4, withhold tax as if he or she is single with zero withholding allowances.

Continued
Keep all forms in your records. The forms must be made available upon request.

**Backup Withholding.** If the person doesn't provide you with his or her Social Security number or if the number is incorrect, you must withhold 28 percent (.28) from wages for federal tax purposes. (The percentage rate may change after Dec. 31, 2013.) 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, see Publication 1281, *Backup Withholding for Missing and Incorrect Name/TINs.*

**Social Security and Medicare**

The Federal Insurance Contributions Act (FICA) provides for a federal system of old-age, survivors, disability, and hospital insurance. The old-age, survivors, and disability insurance is financed by the Social Security tax, and the hospital insurance is financed by the Medicare tax.

Social Security and Medicare taxes are determined and reported separately, and are levied on both you and your employees. You, as the employer, must withhold and deposit the employee's part of the taxes and pay a matching amount. Generally, employee wages are subject to Social Security and Medicare taxes regardless of the employee's age, or if he or she is receiving Social Security benefits.

For more information, see federal Form 941, *Employer's Quarterly Federal Tax Return.*

**Federal Unemployment Tax (FUTA)**

FUTA, along with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only the employer pays FUTA tax; it is not deducted from the employee's wages. FUTA is collected by the IRS.

For more information, see federal Form 940, *Employers Annual Federal Unemployment (FUTA) Tax Return.*

**Minnesota Requirements for New Employees**

For complete information regarding the following Minnesota requirements, contact the appropriate agency.

**Form W-4MN, Minnesota Employee Withholding Allowance/Exemption Certificate**

After employees determine the number of federal withholding allowances to claim by completing federal Form W-4, they must determine the number of Minnesota withholding allowances. Employees may claim up to, but not more than, the number of federal allowances they claim.

If the employee claims the same number of Minnesota allowances as federal, does not request additional Minnesota withholding be deducted, or does not claim exempt from Minnesota withholding, there is no need for the employee to complete Form W-4MN. When determining Minnesota withholding, use the same number of allowances the employee listed on Form W-4.

Ask the employee to complete Form W-4MN if one of the following situations apply:

- the employee chooses to claim fewer Minnesota allowances than claimed for federal purposes;
- the employee claims more than 10 Minnesota allowances;
- the employee requests additional Minnesota withholding be deducted each pay period; or
- the employee claims to be exempt from Minnesota income tax withholding and you reasonably expect their wages to exceed $200 per week.

If the employee does not give you a completed Form W-4 or W-4MN before the first wage payment, withhold Minnesota tax as if he or she is single with zero withholding allowances. You should honor each Form W-4MN you receive unless we notify you. You are not required to verify the number of allowances claimed by each employee. However, if the employee claims more Minnesota than federal allowances, use the number of federal allowances to determine the Minnesota withholding.

In certain situations, you must send copies of Form W-4MN to the Minnesota Department of Revenue. For details, see Form W-4MN. A $50 penalty may be assessed for each required W-4MN not filed with the department.

**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 his or her Social Security number or tax ID number or if the number is incorrect, you must withhold 9.85 (.0985) percent from his or her wages for state tax purposes. 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 additional information regarding Minnesota withholding, see the Minnesota Income Tax Withholding Instruction Booklet.

**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 his or her wages. It is your responsibility, as an employer, to submit the completed form to the Department of Revenue.

**State Unemployment Tax (SUTA)**

SUTA is an employer-paid tax and is not deducted from the employee's pay. After you register with the Minnesota Department of Employment and Economic Development, you will receive a rate notice. Use this rate to determine your liability. State unemployment taxes are paid on a quarterly basis.
For more information, go to the Minnesota Department of Employment and Economic Development’s website at www.uimn.org, call 651-296-6141, or email at ui.mn@state.mn.us.

**Worker Compensation Insurance**
Generally, all employers are required to carry worker compensation insurance.

To find out if you’re required to carry the insurance, go to the Minnesota Department of Labor and Industry’s website at www.dli.mn.gov or call the Worker Compensation Division at 651-284-5005 or 1 800 342-5354.

**Report New Hires**
You must report the hiring or rehiring of any employee to the Minnesota Department of Human Services within 20 days of hiring the individual. Employers can report new hires online at www.mn.gov/dhs.

If you don’t have access to the Internet, you may mail or fax a copy of the employee’s W-4 form to the Minnesota New Hire Reporting Center. (Be sure that boxes 8 and 10 are completed with the employer’s information.) Fax the W-4 to 1-800-692-4473, or mail a copy to the Minnesota New Hire Reporting Center, P. O. Box 64212, St. Paul, MN 55164-0212.

Other reporting methods include printed lists or new hire reporting forms.

For more information on reporting new hires, call 1-800-672-4473.

**Other Resources**

**Business Education Workshops**
The Minnesota Department of Revenue co-sponsors free business education classes throughout the state to help you understand employment tax and employer responsibilities. To register, go to the department’s website at www.revenue.state.mn.us and click “Starting a Business.”

**Minnesota Fact Sheets**
The Department of Revenue provides fact sheets to help you understand your state withholding responsibilities. Fact sheets are available at www.revenue.state.mn.us. If you don’t have Internet access, call 651-282-9999 or 1-800-657-3594 to request copies.

**A Guide to Starting a Business in Minnesota**
The Department of Employment and Economic Development publishes A Guide to Starting a Business in Minnesota that is available free of charge. Copies may be downloaded online at www.positivelyminnesota.com or by calling 651-259-7476 or 1-800-310-8323.

**IRS Publications**
Free publications are available from the IRS at www.irs.gov or by calling 1-800-829-3676. Publications you might find helpful are:

- Pub. 15, Circular E, Employer’s Tax Guide
- Pub. 15-A, Employer’s Supplemental Tax Guide
- Pub. 15-B, Employer’s Tax Guide to Fringe Benefits
- Pub. 51, Circular A, Agricultural Employer’s Tax Guide
- Pub. 583, Starting a Business and Keeping Records
- Pub. 910, Guide to Free Tax Services (lists free publications and workshops)
- Pub. 926, Household Employer’s Tax Guide
- Pub. 1281, Backup Withholding for Missing and Incorrect Name/TINs.
- Pub. 1779, Independent Contractor or Employee

**Information and Assistance**

Website ......................... www.revenue.state.mn.us

**Business Registration**
Apply online or call 651-282-5225 or 1-800-657-3605

**Withholding Tax Information**
Email: Withholding.Tax@state.mn.us
Phone: 651-282-9999 or 1-800-657-3594

We will provide information in other formats upon request to persons with disabilities.

**Other Agencies**

IRS ................................. www.irs.gov
Request FEIN (also online) ............... 1-800-829-4933
Forms and publications (also online) .... 1-800-829-3676

Minnesota Department of Employment and Economic Development
Department website ........ www.positivelyminnesota.com
A Guide to Starting a Business in Minnesota:
Available online or call 651-259-7476 or 1-800-310-8323

Unemployment Taxes and Minnesota UI employer account:
www.uimn.org or 651-296-6141 or ui.mn@state.mn.us

Minnesota Department of Human Services
Department website ............ www.mn.gov/dhs
Minnesota New Hire Reporting Center ...... 1-800-672-4473

Minnesota Department of Labor and Industry
Department website ............... www.dli.mn.gov
Worker Compensation Division:
Available online or call 651-284-5005 or 1-800-342-5354

U.S. Citizenship and Immigration Services (USCIS)
www.uscis.gov or 1-888-464-4218

U.S. Social Security Administration
To verify Social Security numbers:
Online (SSNVS): http://www.ssa.gov/employer/ssnv.htm
Phone (TNEV): 1-800-772-6270 or 1-800-772-1213