



Minnesota Management & Budget Statewide Operating Policy

Minnesota Management and Budget, Agency Assistance
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Entertainers' and Speakers' Fee Payments and Tax Withholding

Objective

To withhold and remit to the Department of Revenue the 2% tax on payments to nonresident entertainers and public speakers in accordance with Minnesota Statutes Section 290.9201, and all statutes referenced therein.

Policy

Minnesota Statute section 290.9201 explicitly states that entertainment entities are subject to a tax of two percent of total compensation. A vendor subject to the tax must pay it on both the fee for performance and any expense reimbursement paid to the vendor.

Exemptions

Payments to a nonresident public speaker are exempt from withholding if the compensation paid to the speaker is less than \$2,000 or is only a payment of the speaker's expenses.

Furthermore, the tax does not apply to the following vendors:

- A resident of Minnesota, and, according to the *Minnesota Income Tax Withholding Instruction Booklet*, a resident of Michigan or North Dakota (Beginning January 1, 2014, subject to change).
- A corporation (unless the entertainer is a shareholder of the corporation)
- A partnership (unless the entertainer is a partner)
- A speaker who performs in a classroom setting, provided that students attending receive credit toward a degree for the class and the speech/lecture is not open to the general public.

Reporting

Accounts 411322 and 411323 in the Statewide Integrated Financial Tools (SWIFT) should be used to record payments to speakers and entertainers. As with any other transaction that will create an obligation by the state, agencies must encumber each agreement in SWIFT to a specific vendor number. Each speaker should have their own encumbrance to ensure that each applicable vendor has the 2% tax withheld.

Federal form 1099 will be run at year end for each these payments. If the vendor was a corporation, the 1099 would be manually created. Regardless, any 1099 for speaker or entertainer fees will show 100% of the compensation (which would include the withholding amount).

Payments

Payments for speaker/entertainer fees must be paid to the individual, corporation, or partnership that is providing the entertainment. Included in the payment can be reimbursements for travel expenses; *however*, the payment cannot be made by a separate warrant to the third party. Payment must be made for 98% of the amount due using the regular payment procedure for a speaker or entertainer that is subject to the tax. The 2% withholding tax is sent as an interagency payment on the same day as the payment to the vendor.

Related Policies and Procedures

[MMB Statewide Operating Procedure 0802-06.1 Entertainers' and Speakers' Fee Payments and Tax Withholding](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-8/0802-06-01-speakers-fees-procedure.pdf) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-8/0802-06-01-speakers-fees-procedure.pdf>)

See also

[Current Year Minnesota Income Tax Withholding Booklet – Department of Revenue](http://www.revenue.state.mn.us/businesses/withholding/Pages/Forms.aspx)
(<http://www.revenue.state.mn.us/businesses/withholding/Pages/Forms.aspx>)

[Minnesota Statute 290.9201](https://www.revisor.leg.state.mn.us/statutes/?id=290.9201) (<https://www.revisor.leg.state.mn.us/statutes/?id=290.9201>)