

TAX IDENTIFICATION NUMBERS

Many Minnesota businesses will need one or more tax identification numbers. These include the Federal Employer Identification Number, the Minnesota Taxpayer Identification Number, and the Minnesota Unemployment Insurance Employer Account Number. New tax identification numbers must be obtained each time the ownership or form of business organization changes.

Federal Employer Identification Number

Sole proprietors who do not have employees, who are not required to file information returns, who do not have a retirement plan for themselves, and who are not required to pay federal excise taxes in connection with their business generally may use their social security number as their federal employer identification number. Likewise, single-member limited liability companies that have elected to be taxed as a sole proprietorship may follow the rule set out in the previous sentence. All other business entities are required to obtain a federal employer identification number by filing Form SS-4 with the Internal Revenue Service. Note also that an independent contractor doing commercial or residential building construction or improvements in the public or private sector is considered to be, for workers' compensation purposes, an employee of any person or entity for whom or which that independent contractor performs services unless, among other things, that independent contractor has a federal employer identification number.

Form SS-4 may be obtained from the Internal Revenue Service by calling the IRS at the telephone number listed in the Resource Directory section of the Small Business Assistance Office publication, *A Guide To Starting A Business In Minnesota*. The form and instructions can also be printed directly from the IRS website at www.irs.gov (click on More Forms and Publications under Most Requested Forms and Publications). One can apply for the federal employer identification number online, by telephone, by fax or by U.S. mail. To complete the application and receive the number for immediate use using the IRS website, go to www.irs.gov/businesses and click on "Employer ID Numbers" under topics. To apply by telephone, call the IRS at (800) 829-4933 between 7 a.m. and 10 p.m. Eastern Time. It helps to have the hard copy of SS-4 on hand. Minnesota businesses seeking to apply via fax can submit their application by dialing (859) 669-5760. Mail applications, which can take up to 4 to 5 weeks, should be submitted—for Minnesota businesses—to IRS, EIN Operations, Cincinnati, OH 45999. Fax-TIN: (859) 669-5760.

Minnesota Taxpayer Identification Number

A business needs to obtain a Minnesota tax identification number (a seven digit number assigned by the Department of Revenue) if it is required to file information returns for income tax purposes, has employees, makes taxable sales, or owes use tax on its purchases. Most businesses need a Minnesota tax identification number. However, a sole proprietorship or single member limited liability company which does not have any of these tax obligations does not need a Minnesota tax identification number.

To obtain a Minnesota tax identification number, go to the Minnesota Department of Revenue's website at www.taxes.state.mn.us. In order to apply for a Minnesota tax ID number online, you will need your federal employer ID number (FEIN), if applicable; the legal name or sole proprietor name and business address; the business name (Certificate of Assumed Name) if applicable; NAICS code (North American Industry Classification Code) available from the U.S. Census

Bureau's website; names and social security numbers of the sole proprietor, officers, partners or representatives; and address and name of a contact person. If you do not have Internet access, call (651) 296-6181 and ask about receiving Form ABR. If you already have a Minnesota ID number, you may need to apply for a new one if the business changes its legal organization, or you are required to apply for a new federal ID number.

Minnesota Unemployment Insurance Employer Account Number

All business entities, other than sole proprietorships or single member limited liability companies without employees, must register with the Department of Employment and Economic Development, Unemployment Insurance (UI) Division. The Unemployment Insurance (UI) Division issues identification numbers that are different from those issued by the Department of Revenue and the Internal Revenue Service. Registration is accomplished online at www.uimn.org. Employers may contact Unemployment Insurance (UI) Division at (651) 296-6141, option 4. The UI Division requests that businesses not register for a UI Employer account number until wages have actually been paid.

Difference Between a Minnesota Tax ID, Minnesota Sales Tax Permit and a Minnesota Employer ID

Minnesota does not have a separate sales tax permit or employer ID number.

If a business has a Minnesota Tax ID and is registered to collect sales tax (this registration is part of the application for a Minnesota Tax ID, Form ABR, Application for Business Registration), the Minnesota Department of Revenue will send a confirmation letter that will serve as a sales tax permit. It is not required that this letter be displayed, but suppliers may require a copy for their records. A copy of the registration confirmation may be printed by using e-File Minnesota (at www.revenue.state.mn.us) and selecting "Update your Business Information."

The Minnesota Tax ID number is called other things, such as "sales tax exempt number", "resale exemption number", or "seller's permit". This is merely a difference in terminology, often encountered in dealing with suppliers from other states. If a business has a Minnesota Tax ID, and is registered for the tax types that it needs to collect and submit, then it does not need to apply for any additional numbers from the Minnesota Department of Revenue.

If a business is registered to collect income tax withholding, the Minnesota Tax ID also serves as its Minnesota Employer ID for tax purposes; however, businesses may also be required to register with the Department of Employment and Economic Development for an Unemployment Insurance (UI) Employer Account Number for unemployment taxes. For more information, go to www.uimn.org or see the sections in the *Guide* on Unemployment Insurance.

TAXPAYER BILL OF RIGHTS

Both the United States Congress and the Minnesota Legislature have enacted a Taxpayer Bill of Rights that governs many taxpayer relationships with the Internal Revenue Service and the Minnesota Department of Revenue. These laws formalize and standardize many audit, appeal, and collection procedures and clarify rights and protections available to taxpayers.

Information on the federal Taxpayer Bill of Rights and the legislation amending it known as the Taxpayer Bill of Rights II is provided in Publication 1, *Your Rights as a Taxpayer*, which may be obtained by calling the Internal Revenue Service. Information on the Minnesota taxpayer rights law also may be obtained by calling the Minnesota Department of Revenue. Both are listed in the Resource Directory section of the *Guide*.

ELECTRONIC FILING OF TAXES

Electronic Payment Requirements

Minnesota law requires some businesses to pay their state taxes and fees electronically. If you meet the requirement for any tax or fee listed below during the last 12 months ending June 30, you must pay all Minnesota business taxes electronically starting January 1 of the following year. Failure to remit electronically after notification from the Commissioner may result in a 5 percent penalty for each payment that should have been remitted electronically.

	Electronic payments required if business had at least:
Alcoholic beverage tax	\$10,000 in tax
Cigarette and tobacco tax	\$10,000 in tax
Corporation franchise tax	\$10,000 in estimated tax payments
Corporation franchise for nonprofits	\$10,000 in tax
Fiduciary income tax	100 trusts
Insurance premium taxes	\$10,000 in tax
Lawful gambling tax	\$10,000 in tax
Metropolitan landfill fee	\$10,000 in tax
MinnesotaCare taxes	\$10,000 in tax
Petroleum tax	All electronic
Sales and use taxes	\$10,000 in tax
Withholding tax	\$10,000 in tax

In other words, if a business collects more than \$120,000 in sales taxes annually, but its only other tax is \$10,000 in employee withholding taxes, both the sales tax and the withholding taxes must be paid electronically. For this purpose, the Department of Revenue measures the tax collected or owed for the period from July 1 to June 30 of the following year (i.e., not the calendar year). Any business exceeding one of the above thresholds is notified by the Department of Revenue, by letter, in the October following the end of the measuring period that as of the next January 1, all of that business's taxes must be filed electronically.

Information about using the e-File Minnesota electronic filing system is available on the Minnesota Department of Revenue's website at www.revenue.mn.us.

Note that for federal tax purposes, many businesses will be required to file tax payments electronically, by means of the Electronic Federal Tax Payment System (EFTPS). See the section of the *Guide* titled “Business Taxes – Income Tax Withholding – Withholding Tax Deposit and Filing Requirements”.

Large corporations with assets of \$50 million or more were required to start e-filing with their 2005 Forms 1120 or 1120S. Now, certain mid-sized corporations, those with assets between \$10 million and \$50 million, are required to e-file their Forms 1120 or 1120S for tax years ending on or after December 31, 2006. Corporations required to e-file are those that meet the asset threshold and that file 250 or more federal returns a year, including excise tax, employment tax and information returns such as Forms W-2 and 1099.

The IRS is committed to enabling all taxpayers and practitioners to comply with their tax filing obligations, more information is located at www.irs.gov/efile/article/0,,id=151880,00.html.

- **Corporate taxpayers** (Forms 1120, 1120S, 1120-F) may contact the e-help desk at (866) 225-0654 or they may email questions about e-file to: LargeCorporate@irs.gov. **Note:** This email service is for e-file related questions only, not account or tax law questions.
- **Partnerships** (Forms 1065, 1065-B) may contact the e-help desk at (866) 225-0654 or they can find further e-file information for partnerships using the Modernized e-File (MeF) platform at Modernized e-File (MeF) for Partnerships (www.irs.gov/efile/article/0,,id=200526,00.html).
- **Tax exempt organizations** may contact the e-help desk at (866) 225-0654 or they can find further e-file information at e-file for Charities and Non-Profits (www.irs.gov/efile/article/0,,id=108211,00.html).