

Detective and Security Services

Sales Tax Fact Sheet 114

What's New in 2018

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 4.

Detective and security services, armored car services, and burglar and fire alarm services are taxable. Sales tax applies to the total charge to the customer. The taxable amount includes all expenses that are directly reimbursed by the client, such as mileage, travel expenses, record copies, meals, lodging, and other taxable items used in providing these services.

Taxable detective services

Detective services are any services for which a license is required under Minnesota Statutes 326.32 to 326.339. The following services are taxable:

- investigating crimes or wrongs done or threatened against the government of the United States or of any state, county, or municipal subdivision
- investigating the identity, habits, conduct, movements, whereabouts, transactions, reputation, or character of any person or organization
- investigating the credibility of witnesses or other persons
- investigating the location or recovery of lost or stolen property
- investigating the origin of and responsibility for libels, losses, accidents, or damage or injuries to persons or property
- investigating the affiliation, connection, or relationship of any person, firm, or corporation with any organization, society, or association, or with any official, representative, or member of
- investigating the conduct, honesty, efficiency, loyalty, or activities of employees, persons seeking employment, agents, or contractors and subcontractors
- obtaining through investigation evidence to be used before any authorized investigating committee, board of award, board of arbitration, administrative body, or officer or in preparation for trial of civil or criminal cases
- investigating the identity or apprehension of persons suspected of crimes or misdemeanors

For purposes of this law, investigating means to verify or confirm information through surveillance, interviews, or physical contacts. Investigating does not mean to simply compile information available through public or other records.

If you are unsure if you must be licensed as a private detective, contact the Private Detective and Protective Agent Services Board at 651-793-2666.

Expenses such as meals, telephone calls, hotel rooms, or plane tickets directly related to and incurred while providing detective services are taxable even if separately stated.

Nontaxable detective services

Services provided by some businesses or individuals are specifically exempt from the licensing requirements under Minnesota Statute 326.3341 or are exempt under Minnesota Statute 297A.61.

Nontaxable services include those performed by:

- an employee for an employer
- an off-duty peace officer within the jurisdiction they normally serve
- an attorney during normal job duties
- a licensed insurance adjuster, a collection agency or finance company doing investigations related to the business of the agency or company
- a person obtaining and furnishing financial or credit information or information on the personal habits of applicants for insurance, indemnity bonds, or commercial credit

Examples of nontaxable services when billed separately and not performed as part of a taxable detective service:

- collecting payment for any debt
- court testimony
- courthouse record retrieval services
- credit rating checks
- credit reporting services
- damage appraisals
- expert witness services
- financial checks
- finger printing
- insurance services such as loss prevention, insurance reporting, or insurance research
- lien searches
- medical security system monitoring - individuals
- negotiations for insurance claim settlements
- process server services
- repossession services
- restaurant checks that provide information on cleanliness, quality, and timeliness
- service of notice or other document to a witness or any other person in connection with any criminal, civil, or administrative litigation, including filing court documents (garnishments and warrants)
- soliciting any debtor to pay bills

Examples

- An attorney hires a records research company to obtain copies of liens and other public records. The records research company's service of gathering the records is not taxable.
- An insurance adjuster is hired by a company to investigate a person who filed a worker's compensation claim. The insurance adjuster is licensed as an adjuster with the state of Minnesota and not licensed as a private detective. The fees charged by the insurance adjuster are not taxable.
- A businessman hires a private detective to find certain records such as birth certificates and credit reports for several of his clients. The detective also investigates to verify the accuracy of the records. The entire fee charged by the detective is taxable, including fees for record retrieval.

Security services

Taxable security services are those provided by any person in the business of protecting property from theft, vandalism, or destruction or protecting individuals from physical attack and harassment. This includes security services provided by off-duty police officers, unless performed within the officer's normal jurisdiction.

Examples of **taxable security services** include:

- armored car services
- badge checking
- bodyguards
- bouncers
- burglar alarm maintenance and monitoring (electronic signal or visual devices)
- crowd control
- employee security services
- fire alarm maintenance and monitoring
- fire or burglar alarm system testing
- guard dog lease or rental
- off-duty police officers, unless performed within the officer's normal jurisdiction
- passenger security
- patrol services (foot or mobile)
- security guards (plain clothes or uniformed)
- smoke detector maintenance
- ticket takers (if they have security duties)
- traffic control for escorting a funeral procession and oversized loads
- ushers (if they have security duties)

The following are examples of **nontaxable services**:

- coat checks (without security duties)
- document storage
- shredding paper
- fire extinguisher refilling, tagging and truck charges
- traffic and parking control (unless for funeral processions or oversized loads on public roads)

Routine maintenance to check a security system to assure that the system is in working order is taxable. However, repair labor to restore a system to working order is not taxable. Parts to repair a system are taxable.

Charges for monitoring and electronic surveillance of persons placed on in-home detention are not taxable if required by a court order or by the Minnesota Department of Corrections, and the service is provided by a nonprofit organization.

Beginning July 1, 2013, services provided by any organization at the direction of a county for monitoring and electronic surveillance of persons placed on in-home detention required by a court order or by the Minnesota Department of Corrections are not taxable.

Security systems

Security systems may be real property or tangible personal property depending on how they are incorporated into the building or structure. See below for more information.

Incorporated into a building or structure

The sale and installation of a security or alarm system that becomes incorporated into real property is a construction contract. The charge to the customer is not taxable. The person installing the system must pay tax on the cost of all materials, supplies, and equipment used to install the system.

Peripheral equipment that is part of the system but not incorporated into real property is a retail sale. See Retail sales below.

Retail sales

Security systems that are not incorporated into real property are taxable retail sales. For more information, see Fact Sheet 128, *Contractors*.

The following charges are also subject to sales tax:

- delivery charges
- installation charges
- peripheral equipment (free-standing units or TV monitors) that are connected to wall or base-board outlets

The installer may purchase the security systems exempt from tax by giving their supplier a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption.

Lease agreements

The lessor must charge sales tax on each lease payment, including installation and delivery charges. The lessor buys the security systems exempt from tax by giving the supplier a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption.

Exempt purchases

There is an exemption for purchases of certain materials used or consumed in providing taxable detective or security services. Examples of exempt materials include:

- ammunition
- batteries for communication equipment
- deposition copies (paper, video)
- film and film processing
- guard dog food
- lubricants and antifreeze for vehicles used while providing taxable services
- mace
- pepper spray
- photocopies of medical records and other documents

- polygraph consumables
- supplies used to prepare client reports (paper, forms, toner, pens)
- tapes (audio, video)

To purchase supplies exempt from sales tax, give your supplier a completed Form ST3, *Certificate of Exemption*.

Note: If you buy materials exempt from tax but use them in providing nontaxable services, you must pay use tax on those materials.

Taxable purchases

Purchases for general business or administrative purposes are taxable. Examples of taxable items include:

- building cleaning and maintenance services
- equipment and machinery
- fuel, electricity, and gas used for space heating or lighting
- furniture
- lawn care services
- linen supply or other laundry services
- general office supplies
- specialty advertising materials
- telephone service
- training materials and supplies

Pay sales tax to your supplier when you buy these items or report use tax on your cost of the items on your Sales and Use Tax Return. See the Use tax section.

Sales to nonprofit organizations

Qualifying nonprofit organizations must give you a completed Form ST3, *Certificate of Exemption*, to purchase items exempt from sales tax.

Equipment sales

If you sell or lease equipment or other items that were used in your business, the sale may be taxable. For more information, see Fact Sheet 132, *Isolated and Occasional Sales*.

Use tax

If you buy taxable items or services that are used, stored, or consumed in Minnesota without paying sales tax, you owe use tax. For more information, see Fact Sheet 146, *Use Tax for Businesses*.

How to report Sales and Use Tax

You can report state and local sales and use taxes online at www.revenue.state.mn.us. If you don't have internet access, you can file by phone. Call 1-800-570-3329.

Local Sales and Use Taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see Fact Sheet 164, *Local Sales and Use Taxes*.

Legal References

Minnesota Statute 297A.61, subd. 3(g)(iv), Sale and purchase
Minnesota Statute 326

Revenue Notices

98-23, *Application of Tax to Copies*
03-08 *Detective, Security, Burglar and Fire Alarm, and Armored Car Services*

Other Fact Sheets

128, *Contractors*
132, *Isolated and Occasional Sales*
142, *Sales to Governments*
146, *Use Tax for Businesses*
164, *Local Sales and Use Taxes*

