

Taxes

Sales Tax on Professional Services

Background:

The issue of taxing professional services has been raised several times over the past few decades. The Minnesota legislature after investigating this type of taxation has rejected it every time. Currently only three states have enacted a professional services tax. One state (Florida) enacted a professional services tax and eliminated it after a short period of time in response to the problems it caused for businesses operating there.

ACEC/MN Position:

ACEC/MN opposes any tax on professional services. Implementing such a tax would have a severe negative effect on Minnesota firms providing professional services and would put them at a competitive disadvantage with firms from other states. The increased cost to firms providing professional services will lead to higher costs to all segments of business that procure these services, including government clients. Taxing professional services can also create a pyramid effect that can lead to double and triple taxation on any given project. A new level of bureaucracy will be needed by state government to implement and enforce the tax. The viability of Minnesota firms will be adversely affected. In some cases firms may be required to pay tax for services before payment is received from their clients. In the worst case, this could lead to financial failure of firms and cause an increase in unemployment.

Action Requested:

Contact and educate your legislators on the negative effects that a tax on professional services will have on your job and the firm you work for.