

PRINCIPLED INSIGHTFUL ENGAGED

Talking Tax Reform Mobile Workforce, Nexus, and Telework

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Presentation for Tax Foundation's Talking Tax Reform

Mobile Workforce, Nexus, and Telework

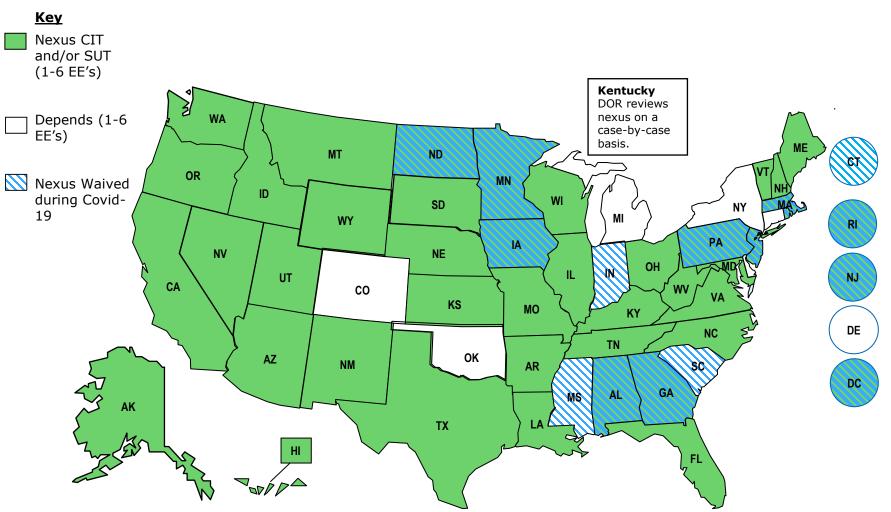
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State Business Tax Nexus COVID-19/Telework



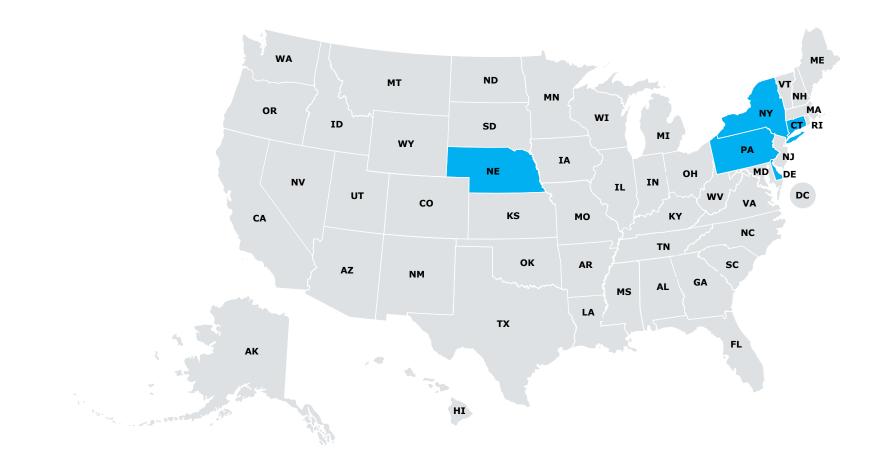
Source: Bloomberg Tax & Accounting

State Nexus Waivers for COVID-19 Telework

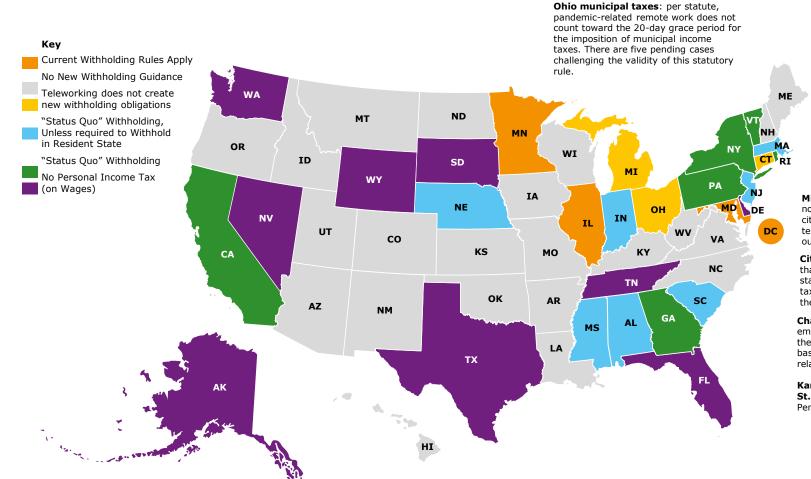
Corporate Net Income Tax and Sales/Use Taxes

State	CNIT/SUT	State	CNIT/SUT
AL	Yes/Yes	MA	Yes/Yes
СА	Yes/N/A	MN	Yes/Yes
СТ	All (statutory)	MS	Yes/Yes
DC	Yes/N/A	NJ	Yes/Yes
GA	Yes/Yes	ND	Yes/N/A
IN	Yes/Yes	OR	Yes/No Tax
IA	Yes/N/A	PA	Yes/Yes
KY	"Case-by- case"/N/A	RI	Yes/Yes
ME	Yes/Yes	SC	Yes/Yes
MD	No/No	WI	Yes/Yes

Convenience Rules



State Withholding Guidance – COVID-19



Michigan city taxes: a nonresident is not subject to city tax on wages earned while telecommuting from a location outside the city.

City of Philadelphia clarified that its existing withholding standard does not impose wage tax on teleworkers outside of the city.

Charleston, WV reminded employers that the application of the city's user fee will not change based on temporary pandemicrelated work arrangements.

Kansas City, MO earnings tax v. **St. Louis, MO** earnings tax. Pending litigation in St. Louis. OCTOBER 28, 2021

Telework and the Mobile Workforce



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1. How and why the pandemic challenges state wage sourcing

Rapid and unexpected shift of workers amplifies tax consequences to remote employees

2. State income sourcing framework

- Physical presence ex MA Convenience rules ex NY
- Reciprocity ex DC/MD

3. Future wage sourcing considerations

- Long-term hybrid work situations
- Federal legislation
- Wage sourcing uniformity

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Reciprocity States

Reciprocity agreements mean that two states allow its residents to only pay tax on wages in the state where they live—instead of where they work. The following chart lists states that have reciprocity agreements with other states.

State	Has reciprocity with		
Arizona	California, Indiana, Oregon, Virginia		
Illinois	Iowa, Kentucky, Michigan, Wisconsin		
Indiana	Kentucky, Michigan, Ohio, Pennsylvania, Wisconsin		
Iowa	Illinois		
Kentucky	Illinois, Indiana, Michigan, Ohio, Virginia, West Virginia, Wisconsin		
Maryland	Pennsylvania, Virginia, Washington, D.C., West Virginia		
Michigan	Illinois, Indiana, Kentucky, Minnesota, Ohio, Wisconsin		
Minnesota	Michigan, North Dakota		
Montana	North Dakota		
New Jersey	Pennsylvania		
North Dakota	Minnesota, Montana		
Ohio	Indiana, Kentucky, Michigan, Pennsylvania, West Virginia		
Pennsylvania	Indiana, Maryland, New Jersey, Ohio, Virginia, West Virginia		
Virginia	Kentucky, Maryland, Pennsylvania, Washington, D.C., West Virginia		
Washington, D.C.	Maryland, Virginia		
West Virginia	Kentucky, Maryland, Ohio, Pennsylvania, Virginia		
Wisconsin	Illinois, Indiana, Kentucky, Michigan		