

State withholding requirements are snapping back as pandemic recedes

As an administrative convenience during the pandemic, lots of state tax agencies just allowed you to continue to withhold for employees' work states when employees were working remotely in other states. Since the pandemic seems to be receding for real now, states are withdrawing this guidance and reinstating withholding requirements for remote employees. If you have nonresident employees who will continue to work remotely in other states, you must register with the tax agencies in those states.

Here's what we have so far.

States with changes to withholding requirements for remote employees

Indiana

Indiana's [forgiveness](#) for telecommuters ends June 30. However, nonresident employers may continue to withhold for the work state if telecommuters are under a physician's order to remain home. The requirement to register with Indiana will become effective once the physician's order expires. Otherwise, employers located outside Indiana that continue to employ Indiana residents in Indiana must register with the state.

Kansas

Under [S.B. 47](#), beginning Jan. 1, 2021, through Dec. 31, 2022, for wages paid to employees who are temporarily teleworking in a state other than their primary work location, employers can continue to withhold income taxes based on the state of the employee's primary work location, and not based on the state in which the employee is teleworking or otherwise working during the pandemic.

Maine

Maine's guidance allowing employers to continue to withhold for the work state, for employees who live in Maine but who normally work in another state, expires June 30.

Nonresident employers with telecommuters who live in Maine must register with the Maine Department of Revenue and begin to withhold Maine taxes from residents' pay.

Massachusetts

The legality of Massachusetts' pandemic-related [withholding regulation](#) has made it all the way up to the U.S. Supreme Court, which has yet to decide the case.

These [rules](#) expire on Sept. 13.

Nonresident employers with telecommuters who live in Massachusetts must register with the Massachusetts Department of Revenue and begin to withhold Massachusetts taxes from residents' pay.

New Jersey

The public health emergency was [rescinded](#) on June 4 in New Jersey. The Division of Taxation is currently reviewing telecommuting policies and will provide guidance to the public as soon as possible.

Pennsylvania

Pennsylvania's [guidance](#) regarding telecommuters ends June 30.

Nonresident employers with telecommuters who live in Pennsylvania must register with the Pennsylvania Department of Revenue and begin to withhold Pennsylvania taxes from residents' pay.

South Carolina

Through Sept. 30, 2021, South Carolina employers must [continue](#) to withhold South Carolina income taxes from the pay of employees who are telecommuting from different states due to the virus.

Likewise, non-resident employers don't have to withhold state taxes from South Carolina residents who are telecommuting from home, if employers are withholding for telecommuters' normal work states.

Vermont

Resident or nonresident employers are not [required](#) to begin withholding Vermont income taxes until an employee has been working from a Vermont location for 30 days. This applies to employees working from a home, a rental property, a co-work space, or any other location within the state.

Additional considerations

Even if you don't have employees working remotely in any of these listed states, you should keep a close eye. How these policy changes go, what's challenged in court, and the general trend can all act as indicators for what may be coming your way soon. If you plan to keep employees working remotely in states where you didn't before, it's probably best to start the paperwork now and avoid having to scramble later.