Multistate Withholding Requirements: State Comparison Chart

Employees who reside in one state but work in another can create withholding questions for payroll departments. The following chart illustrates the different state taxation and withholding rules applicable to such multistate taxation situations. In general, when an employee's state of residence differs from the state where the individual works, the employer must withhold taxes for the state where the services are performed. However, while an employer generally should first consider the withholding requirements for the state in which the work is performed, it also should check the rules for the employee's state of residence, which may impose additional withholding responsibilities on the employer.
The chart below covers the general multistate withholding rules issued by the states. The main categories included in the chart are:

► **Withholding for Nonresidents —** Individuals who reside in one state and work in another normally are subject to the withholding rules of the state in which they perform their duties or render services. Employees working in more than one state may be subject to allocation rules that divide up the withholding obligations or requirements among the states in which the work is performed.

► **Residents Working outside the State —** Most states have a general rule requiring that income taxes be withheld from residents' wages earned outside the state. However, most states also have some type of arrangement — e.g., reciprocal agreements with neighboring states or unilateral tax credits for taxes paid in another jurisdiction — designed to avoid double withholding and double taxation.

► **Reciprocity —** A number of states have entered into reciprocal agreements with other states to ensure that employees who work and reside in different states are not subject to multiple withholding or taxation. Reciprocal agreements typically specify that employers should withhold income taxes on a nonresident employee's wages only for the worker's home state and that such employees' wages are not subject to the income tax rules of the state in which the wages were earned.

► **Severance Payments to Nonresidents—** A number of states tax severance payments made to persons living in a different state which were earned while the individual worked in the taxing state.

The definitions of "resident" and "nonresident" usually are set forth in each state's income tax laws or regulations. While the state definitions of resident status vary, most states treat individuals as residents if they maintain a place of abode or live in the state for a certain period of time — e.g., over half the tax year. When using the comparison chart below, you may want to consult the individual state guidelines for determining residency status, and these are contained in the digests of state and local withholding requirements, beginning at 181:2101.

The state and local withholding requirements for interstate transportation workers are governed by special federal rules, and these rules are not covered in this chart. For information on the withholding and requirements applicable to interstate transportation employees, see the chapter beginning at 181:1101.

STATE	REQUIREMENTS AND PROVISIONS
Alabama	**Withholding for Nonresidents —** Employers must withhold Alabama income tax from workers who earn wages in Alabama, regardless of the residency status of the employee. For a nonresident performing services within and outside of Alabama, the employer withholds only on the portion of wages attributable to employment in Alabama. **Residents Working Outside the State —** Alabama residents working outside the state for an employer based in Alabama are subject to Alabama withholding unless the employer must withhold for the other state. Alabama residents working outside the state for an employer that is not based in Alabama are not subject to Alabama withholding. In either case, however, the wages will be subject to Alabama taxation when the personal income tax return is filed, and it is recommended that the employee complete an Alabama Withholding Certificate to request withholding of the difference between what would be withheld for Alabama and what is withheld for the other state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Alaska	Alaska has no state personal income tax law.
Arizona	**Withholding for Nonresidents —** Arizona income tax must be withheld from the wages of nonresident employees performing services within the state. For those nonresident employees who perform services inside and outside of Arizona, only the wages earned within the state are subject to withholding. Allocation is based on the percentage of time spent working in Arizona compared with the total amount of working time both within and outside of the state. For compensation based on sales volume, a similar apportionment is done. Nonresidents who work for individuals or corporations with property and payroll in-state and who are physically present in-state for less than 60 days are exempt from withholding. **Residents Working Outside the State —** Arizona employers may but are not required to withhold Arizona tax from Arizona residents working outside the state. If withholding in both states occurs, income tax returns filed in the other state may be attached to the Arizona return and used for credit against the remaining Arizona tax liability. **Reciprocity —** The states of California, Indiana, Oregon, and Virginia and the District of Columbia allow Arizona residents a deduction for the taxes paid to Arizona when filing the yearly income tax return for those states. Residents of these states can request exemption from Arizona withholding by filing form WEC, Withholding Exemption Certificate. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Arkansas	**Withholding for Nonresidents —** All employers must withhold Arkansas income tax for wages paid within the state, even if the employer itself does not reside in Arkansas and is not subject to state income tax. For nonresidents performing services inside and outside of the state, only wages earned in the state are subject to withholding. **Residents Working Outside the State —** Arkansas residents working in another state are subject to withholding only in the other state, providing that state has an income tax law. If the other state has no income tax law, then the employer must withhold Arkansas income tax from the wages of Arkansas residents working in that state. **Reciprocity —** Special border city exemptions apply for residents of Texarkana, Arkansas and Texarkana, Texas. Texarkana, Arkansas residents are exempt from Arkansas income tax and withholding; however, they must file an income tax return and provide their employer with Form AR-TX to certify residency and exemption. Texarkana, Texas residents are exempt from Arkansas income tax and withholding on wages earned in Texarkana, Arkansas, but must pay Arkansas tax on wages earned in other parts of Arkansas. Other Texas residents are liable for taxes on all wages earned in any part of Arkansas. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
California	**Withholding for Nonresidents —** Employers within the state must withhold income tax from wages of nonresidents for services performed in the state. If a nonresident performs services inside and outside of the state of California, only wages earned within California are subject to California withholding. The amount of wages attributable to services performed in California is that portion of the total compensation which the total number of working days within the state bears to the total number of working days inside and outside of the state. **Residents Working Outside the State —** Resident employees are subject to California withholding for wages earned outside of the state. When California residents are liable for withholding for both California and another state or jurisdiction, employers should first withhold amounts required by the other jurisdiction and withhold for California only the amount, if any, by which the applicable California withholding exceeds that for the other state. **Reciprocity —** California has no specific reciprocal agreements, but residents of Arizona, Guam, Indiana, Oregon, and Virginia are allowed a credit toward their California income tax liability for taxes paid to their home state. **Severance Payments to Nonresidents (Services Performed In-State) —**Taxable, unless the payment is made under a plan telling the employee what he/she will receive at termination.
Colorado	**Withholding for Nonresidents —** Employers must withhold Colorado income tax from nonresidents for wages earned in the state. Employers situated outside the state must withhold income taxes upon the wages, commissions, or other pay to an employee for work in Colorado even if the employee is a nonresident and working time in the state is of short duration. Employer may apply for a release from withholding to the Director of Revenue for activities of extremely short duration. Employers must withhold for all services performed within Colorado, and the method of allocation must be approved by the Director of Revenue. **Residents Working Outside the State —** A Colorado resident who works in and has tax withheld for another state, the District of Columbia, or territory or possession of the United States, may be excused from Colorado withholding. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.

Connecticut	**Withholding for Nonresidents —** Employers must withhold Connecticut income tax from wages earned by nonresidents within the state. Any employer for federal income tax purposes who maintains an office or transacts business within the state must withhold Connecticut income tax whether or not the payroll department is located within the state. **Residents Working Outside the State —** While all wages of a Connecticut resident are subject to Connecticut income tax, regardless of where they are earned, employers are required to withhold from the resident's wages only to the extent that it exceeds the amount required to be withheld by the other state for services performed there. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Delaware	**Withholding for Nonresidents —** Employers must withhold income tax from wages earned by nonresidents for services performed in Delaware. Nonresidents working inside and outside Delaware can use Form W-4NR, Delaware Non-Resident Withholding Computation Worksheet, to estimate their annual Delaware liability and to determine the amount that needs to be withheld each pay period. **Residents Working Outside the State —** An employer withholding Delaware income tax on Delaware residents who are earning income in another state may reduce Delaware withholding by the amount of tax withheld and paid to the other state. Employers can compute a credit against the amount otherwise due for Delaware withholding for residents who are entitled to such credit. The credit allowable should be equal to the amount of withholding on income earned by the Delaware resident in that state. Nonresident employers employing Delaware residents outside the state are not required to withhold, but many do so. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
District of Columbia	**Withholding for Nonresidents —** There is no provision requiring District income tax to be withheld from the wages of nonresidents working in the District. The employer must ascertain the residency of the employee. Nonresidents should file Form D-4A, Certificate of Nonresidence in the District of Columbia, with their employers. **Residents Working Outside the State —** District residents are not subject to District withholding if employed outside the jurisdiction. **Reciprocity —** The District of Columbia has informal reciprocal agreements with Virginia and Maryland. Residents of the District working in those states are not subject to District withholding unless they voluntarily request that District tax be withheld. **Severance Payments to Nonresidents (Services Performed In–District) —**Not taxable.
Florida	Florida has no state personal income tax law.
Georgia	**Withholding for Nonresidents —** Nonresidents are subject to Georgia tax if they work in Georgia for more than 23 days in a calendar quarter, can attribute more than 5 percent of their wages to Georgia, or can attribute more than $5,000 of their wages to Georgia. **Residents Working Outside the State —** Georgia residents working outside the state are exempt from Georgia income tax withholding if their compensation is subject to withholding in that state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Not taxable.
Hawaii	**Withholding for Nonresidents —** Hawaii income tax withholding is required for nonresidents when income is received or derived from any source within the state. Withholding is also required on all wages for services performed outside the state if the services are performed by a nonresident employee whose regular place of employment is within the state, or if the wages are paid out of an office in the state, except for nonresident employees who have furnished a statement of nonresidence (Form HW-6). Withholding is not required for a nonresident temporarily performing services in the state if: the employee is paid for services within the state from an office outside the state of Hawaii; the regular place of employment is not in Hawaii; and the employee is expected to be working in the state less than 60 days. **Residents Working Outside the State —** Hawaii requires employers to withhold Hawaii income tax from the wages of Hawaii residents working in other states, even if the other state also requires income tax withholding on the same wages, but only if the resident employee's regular place of employment is within the state or wages are paid from an in-state office. The Hawaii resident may receive credit against their Hawaii income tax for income taxes paid to another state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Idaho	**Withholding for Nonresidents —** Employers are required to withhold Idaho income tax from wages earned when nonresidents perform services within the state, if the nonresidents earn more than $1,000 in a year. Compensation paid to nonresident officers and directors of corporations who perform services in Idaho is subject to state withholding. If the nonresident works inside and outside the state, withholding applies to amounts earned in the state. Nonresidents and part-year residents who are liable for income taxes in their states of residence for income earned in Idaho are not allowed credit of income tax amounts paid to the states where they reside. **Residents Working Outside the State —** Idaho residents working in another state are not subject to Idaho withholding, whether the other state has an income tax or not. **Reciprocity —** There are no current agreements. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.

Illinois	**Withholding for Nonresidents —** Nonresidents are only subject to withholding for wages earned within the state. There are no guidelines for the allocation of wages attributable to work performed within the state. Employers maintaining an office or transacting business in Illinois must withhold Illinois income tax from all compensation considered to be paid in Illinois to individuals for services: performed entirely inside Illinois; performed both inside and outside Illinois, but the outside services are incidental to services performed in Illinois; or partly performed inside Illinois and either the base of operations or place of control is in Illinois. Generally, resident and nonresident employees must have Illinois income tax withheld to the extent that they receive the compensation for services performed in Illinois, unless the worker resides in a state covered under a reciprocal withholding agreement. **Residents Working Outside the State —** Residents of Illinois working in another state can have Illinois income tax withheld, even if the other state withholds income tax from wages earned within that other state, unless the other state has a reciprocal agreement with Illinois. **Reciprocity —** Residents of Iowa, Kentucky, Michigan, or Wisconsin are not subject to Illinois withholding tax even if compensation is earned in Illinois. To be eligible, residents of the participating states must file Form IL-W-5NR, Employee's Statement of Nonresidence in Illinois. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Indiana	**Withholding for Nonresidents —** Employers who do business within Indiana must withhold Indiana income tax from wages paid to nonresident employees for services performed within Indiana (except those covered under reciprocal agreements). **Residents Working Outside the State —** Employers with Indiana residents performing services in other jurisdictions should, but are not required to, withhold taxes for Indiana from wages earned regardless of the withholding obligation to the other state or jurisdiction. **Reciprocity —** Indiana has reciprocal agreements with Kentucky, Michigan, Ohio, Pennsylvania, and Wisconsin. Indiana employers need not withhold Indiana state tax from wages paid to employees residing in these states, but are urged to withhold tax for the employee's state of residence. Indiana residents working in the covered states are eligible for the same benefits. The reciprocal agreements are not applicable to Indiana county income taxes. Residents of Arizona, California, Oregon, and the District of Columbia working in Indiana are allowed a credit (taken on their nonresident returns) toward Indiana income tax liability for the taxes paid to their home state. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Iowa	**Withholding for Nonresidents —** Employers maintaining an office or transacting business in Iowa are required to withhold Iowa state income tax from any compensation paid to nonresidents attributable to work within Iowa. If the employee's remuneration is on a commission basis, the withholding is based on the volume of business transacted within the state and its ratio to the total business volume transacted by the worker. Nonresidents working in feature film, television, or on educational productions in Iowa are not subject to state withholding, provided the employer has received an exemption from the Revenue Department. **Residents Working Outside the State —** Employers may voluntarily withhold Iowa tax from the wages of Iowa residents who are working outside of the state. **Reciprocity —** A reciprocal agreement with Illinois provides for withholding from wages for the employee's state of residence only. Iowa employers withhold Illinois income tax from wages earned in Iowa by Illinois residents; Illinois employers withhold Iowa tax from the Illinois wages earned by Iowa residents. Illinois residents must provide their Iowa employers with Form 44-016, Employee's Statement of Nonresidence in Iowa, to verify exemption from Iowa withholding and to ensure Illinois tax is withheld. Iowa residents employed in Illinois must file Illinois Form IL-W-5NR, Employee's Statement of Nonresidence in Illinois. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Kansas	**Withholding for Nonresidents —** Employers must withhold tax from all taxable wages paid to nonresident employees performing services inside Kansas. Nonresidents performing services inside and outside of the state are subject to withholding only for wages earned in Kansas. Employers must determine appropriate withholding tax for such individuals based on apportionment shown in Form K-4C, Nonresident Employee Certificate. **Residents Working Outside the State —** An employer who employs a Kansas resident to perform services in another state shall withhold from that employee's wages the amount of withholding due Kansas, less the amount of tax required to be withheld for the other state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Kentucky	**Withholding for Nonresidents —** Kentucky employers are required to withhold Kentucky income tax from wages paid to nonresidents for services rendered in Kentucky. **Residents Working Outside the State —** Employers may voluntarily withhold Kentucky tax from the wages of Kentucky residents who are working outside of the state. **Reciprocity —** Agreements with Illinois, Indiana, Michigan, Ohio, West Virginia, and Wisconsin provide that state income taxes are withheld only for the employee's state of residence. Further, an agreement with Virginia for daily commuters of both states provides the same reciprocal benefits. Nonresident workers exempt under a reciprocal agreement must complete a Certificate of Nonresidence, Form 42A809. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable (if employer treats as earned income).

Louisiana	**Withholding for Nonresidents —** Employers are required to withhold state tax from wages paid to nonresidents for services performed within the state. Nonresidents working in Louisiana need to file Form L-4A, Employee's Certificate of Nonresidence and Allocation of Withholding Tax if their services are performed inside and outside of the state. The employer may allocate, or estimate wages to ensure proper withholding. **Residents Working Outside the State —** Wages earned in another state by Louisiana residents are subject only to the other state's withholding. However, if the other state does not have state income tax withholding, Louisiana taxes should be withheld. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Maine	**Withholding for Nonresidents —** Employers maintaining an office or transacting business within the state of Maine must withhold state tax from wages paid to nonresidents for services performed within the state. If wages are paid to a nonresident for personal services performed inside and outside the state, the employer is required to withhold on the portion of wages attributable to Maine source income. **Residents Working Outside the State —** Employers in other states may withhold Maine tax from wages of Maine residents as a convenience to those employees. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Maryland	**Withholding for Nonresidents —** Out-of-state contractors fulfilling contracts within Maryland for a limited time who have employees performing services in Maryland are required to withhold the Maryland state income tax. If a nonresident performs services both inside and outside of the state of Maryland, only wages earned in Maryland are subject to withholding. The amount of wages attributable to service within the state is based on the relationship the total number of working days employed within the state bears to the total number of working days employed both inside and outside of Maryland. For salespersons or workers whose pay depends on the volume of business transacted, the amount attributable to services performed within Maryland is determined by the ratio of sales made in Maryland to the total number of sales made. **Residents Working Outside the State —** Resident employees working in another state are exempt from Maryland withholding taxes for those wages if the other state has an income tax law, and the Maryland resident can take a credit against the Maryland tax liability for taxes paid to that state. Foreign employers that are qualified to do business in Maryland and that have Maryland resident employees must withhold Maryland tax from such employees, even if the resident performs services outside of the state, unless the work is performed in a state that requires withholding. **Reciprocity —** Maryland tax is not withheld by employers of employees who commute daily to perform services within the state of Maryland and who reside in the District of Columbia, Pennsylvania, Virginia, and West Virginia. To claim exemption, nonresident employees should file Maryland Form MW 507, Certificate of Nonresidence. Commuters on a daily basis from these states are entitled to a full exemption from Maryland income tax withholding, while nonresidents who do not commute daily are only eligible for a partial exemption from Maryland income tax withholding. In general, nonresidents employed in Maryland are covered under these provisions if their income consists entirely of income earned in Maryland; they reside in the states that impose a substantially similar income tax applicable to their Maryland earnings; and their states of residence grant reciprocal treatment to Maryland residents employed within their borders. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Massachusetts	**Withholding for Nonresidents —** Any employer in the state of Massachusetts is required to withhold the Massachusetts tax from wages paid to nonresidents for services performed within the state. Nonresidents working inside and outside of the state are subject to withholding only on wages earned in Massachusetts. Wages attributable to Massachusetts are calculated on a time worked basis: that portion of total wages which the number of days or hours worked by an individual within Massachusetts bears to the total number of days and hours worked. For salespersons, a similar ratio is used to calculate the sales volume achieved in Massachusetts as it compares to the total sales volume of the individual. Nonresident professional athletes or entertainers have earnings apportioned to the number of games or performances within Massachusetts as they relate to the total number of games and performances. Special apportionment rules apply to nonresident flight crew members if they are unable to establish the exact amount of pay received for services performed in Massachusetts. **Residents Working Outside the State —** Residents of Massachusetts subject to withholding in other jurisdictions must have Massachusetts tax withheld less the amount required to be withheld within that jurisdiction. **Reciprocity —** There are no reciprocal agreements between Massachusetts and other states or jurisdictions. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Michigan	**Withholding for Nonresidents —** Employers must withhold Michigan income tax from wages of nonresidents whose earnings are from services performed within the state. Out-of-state employers that have employees who work in Michigan must register with the Michigan Department of Treasury and withhold Michigan income tax from all employees working within the state. **Residents Working Outside the State —** Michigan employers that assign a Michigan resident employee to work temporarily in another state must withhold Michigan income tax from compensation paid to the employee for work done in the other state. If the other state taxes wages earned in that state, the Michigan resident may claim a credit on the Michigan income tax return for the taxes paid to that state. **Reciprocity —** Michigan has reciprocal agreements with Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin whereby Michigan employers are not required to withhold Michigan state income tax from compensation earned in Michigan by residents of those states. Employers in reciprocating states are not required to withhold Michigan taxes from Michigan residents but may voluntarily do so. Michigan employees working in reciprocal states must furnish and file certificates of nonresidence (there are no state provided certificates) with their employer to be exempt from that state's withholding. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.

Minnesota	**Withholding for Nonresidents —** Employers deriving income from sources within the state must withhold the state tax from wages of nonresidents working in Minnesota, unless the nonresident employee is covered under a reciprocal withholding agreement. Nonresident entertainers, performers, and athletes earning compensation within Minnesota (or those being paid wages for being connected with such events) must have Minnesota taxes withheld at a special rate. Self-employed nonresident contractors from nonreciprocating states making more than $50,000 per year in Minnesota must have Minnesota taxes withheld on earnings in construction at a rate of 7 percent if the contractor has provided a social security number, or 8.5 percent if not. Individual construction contractors working in Minnesota are subject to withholding at 2 percent. The Form MW-4A for nonresidents needs to be completed by the nonresident in these cases. **Residents Working Outside the State —** Residents working outside of the United States still must have Minnesota state tax withheld until their domicile changes. For resident employees crossing state lines to work, if the tax liability of the other state exceeds that of Minnesota, then the Minnesota residents are not required to have Minnesota taxes withheld. If the other state has a tax liability that is less than Minnesota's, the difference should be withheld from the Minnesota resident's wages and remitted to the Minnesota Department of Revenue. **Reciprocity —** Form MW-R, Reciprocity Exemption from Minnesota Withholding, Affidavit of Residency, is needed for residents of Michigan and North Dakota to certify that they are eligible to receive tax credits for income taxes that will be paid to their state of residence. Minnesota residents working in those states are exempted from withholding and tax filing requirements for those states. Residents of the reciprocating states have the same exemptions on compensation earned within Minnesota. The affected employees pay state tax only to the state in which they live. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Mississippi	**Withholding for Nonresidents —** Nonresidents who principally work in Mississippi are subject to withholding on the total wages earned, unless income earned in another state is withheld by that state in which those services were performed. Nonresidents working mostly outside the state of Mississippi, but still rendering service partly inside Mississippi are subject to withholding only for the services performed inside the state of Mississippi. **Residents Working Outside the State —** Employers must withhold tax from wages paid to residents of Mississippi for services performed by the resident in other states, unless withholding is required by the other states where the services were performed. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Missouri	**Withholding for Nonresidents —** Employers transacting business within the state must withhold Missouri income tax from wages paid to nonresidents for services performed within the state. Nonresident employers (transient employers) transacting business in Missouri must file a financial assurance instrument with the Department of Revenue so the state may secure payment of withholding taxes. A nonresident is subject to Missouri tax only on compensation earned within Missouri provided a Form MoW-4A, Employee's Certification of Nonresidence and Allocation, is filed with the employer. Wages may be allocated on the basis of employee's experience in the preceding year. A percentage ratio of apportionment is done to allocate correctly the wages and figure withholding for those who only have a portion of their wages subject to Missouri withholding. **Residents Working Outside the State —** A Missouri resident who works more than 50 percent of the time in Missouri is subject to Missouri withholding on the income for services performed both in and out of Missouri, unless the foreign state subjects that resident to income tax withholding for wages earned in the other state. A resident employee who has taxes withheld by the other state may claim an exemption from Missouri withholding by filing Form MoW-4C, Withholding Affidavit for Missouri Residents. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Montana	**Withholding for Nonresidents —** Employers must withhold the state tax from the wages and salaries paid to nonresident employees for services performed in Montana. Nonresidents are only subject to Montana withholding for wages earned within the state, except for North Dakota residents. There are no special regulations for determining appropriate allocation of Montana wages earned by nonresidents working both inside and outside the state. **Residents Working Outside the State —** Montana taxes must be withheld from the wages of Montana residents working outside the state, even if the other state requires the employer to withhold taxes from the same wages, resulting in double withholding. **Reciprocity —** Under a reciprocal withholding agreement with North Dakota, Montana employers are not required to withhold Montana income tax from compensation paid to residents of North Dakota. In reciprocating fashion, North Dakota employers forego withholding from wages earned in North Dakota by Montana residents. North Dakota residents must annually provide Form NR-2, Employee's Certificate of North Dakota Residency, to the employer. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable (if reported on Form W-4).

Nebraska	**Withholding for Nonresidents —** Employers transacting business in the state must withhold the state tax from wages paid to nonresident employees for services performed in Nebraska. Those making payments to nonresidents may be required to withhold Nebraska income tax even if federal withholding is not required. Any person either making payments of $5,000 or more to a nonresident for personal services performed in Nebraska, or anyone engaged in business in Nebraska making payments in excess of $600 to a nonresident individual is required to withhold Nebraska state income tax. Employers and nonresidents must together complete Form W-4NA, Nebraska Withholding Certificate, to compute the amount to be withheld from payments. Form 9N, Employee Certificate for Allocation of Withholding Tax should be submitted to the employer by the nonresident employee to figure the tax. The allocation for salespersons is based on the amount of sales earned in Nebraska as a percentage of total sales earned. Hourly employees have wages allocated based on the number of hours worked in Nebraska as a percentage of the total hours worked. Salaried employees have wages allocated based on the number of days worked in Nebraska as a percentage of the total days worked. **Residents Working Outside the State —** A resident is subject to Nebraska withholding even though some or all of the services for which the wages are paid are performed outside of Nebraska, including services performed overseas. An employer required to deduct and withhold income taxes of other states from wages earned by a Nebraska resident must withhold from those wages the amount of Nebraska income tax due less the amount required to be withheld from wages in those other states. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Nevada	Nevada has no state personal income tax law.
New Hampshire	New Hampshire has no state personal income tax law.
New Jersey	**Withholding for Nonresidents —** Employers transacting business within the state of New Jersey are required to withhold the state tax from all compensation paid to nonresidents for services performed inside the state. Nonresidents are exempt from withholding in New Jersey if they file Form NJ W-4 and states that their total compensation from all sources is less than the amount of their personal exemptions. New York residents are subject to New Jersey withholding on compensation earned in New Jersey. Nonresidents working inside and outside the state are taxed for services performed within the state of New Jersey based on one of the following methods: preceding year's experience, if applicable; apportioning the total wages of the employee by figuring how the total number of workdays within New Jersey bears to the total number of working days, exclusive of nonworking days; or apportioning commission-based earnings, such as sales volume, by withholding only on the compensation for sales volume achieved within the state of New Jersey. **Residents Working Outside the State —** New Jersey residents employed totally outside of New Jersey in a state that withholds state tax from the wages of those residents, must have the difference between the New Jersey tax and the other state's tax withheld and paid to New Jersey. **Reciprocity —** In Pennsylvania, New Jersey residents are not subject to Pennsylvania state taxes. Instead, the employer must have a certificate of nonresidence and withhold New Jersey state income tax from those wages earned by New Jersey residents in the state of Pennsylvania if the employer is registered in New Jersey. Pennsylvania residents working in New Jersey must fill out a similar certificate of nonresidence to qualify for reciprocal treatment. However, a New Jersey resident working in Pennsylvania and subject to local Pennsylvania withholding taxes, may have those local taxes included in determining the amount of New Jersey state income tax to be withheld from earnings, to the point where (in the case of Philadelphia) the employee may become exempt from New Jersey income tax withholding altogether. **Severance Payments to Nonresidents (Services Performed In–State) —**Severance payments made to state residents, and nonresidents with New Jersey source income, are taxable. Severance payments made to nonresidents with no New Jersey source income are nontaxable.
New Mexico	**Withholding for Nonresidents —** Employers are required to withhold New Mexico state income tax from earnings of nonresidents for services performed solely within the state. No guidelines or instructions are available from the state to aid employers in apportioning the wages of those nonresidents who work both inside and outside of the state of New Mexico. Withholding is not required from wages paid to nonresidents working in the state for 15 or fewer days in the calendar year. **Residents Working Outside the State —** New Mexico residents working outside the state are still subject to New Mexico income tax withholding, regardless of the withholding rules in the other state or jurisdiction where the services are performed. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable (withhold as “irregular wages”).

New York	**Withholding for Nonresidents —** Employers must withhold New York income tax from the wages earned by nonresidents for services performed within New York. For nonresidents performing services inside and outside of the state of New York, only wages earned within the state are subject to New York income tax withholding. Nonresidents may be excluded from New York income tax withholding if the income earned in New York by that employee will not exceed the amount of personal exemptions the employee is allowed to take. Withholding of all wages paid to nonresidents working inside and outside of the state is required if the employee fails to file Form IT-2104.1, or if the employer does not have adequate records to determine accurately the correct amount of wages attributable to work in New York. **Residents Working Outside the State —** Employers must withhold New York state income tax from all payments of taxable wages to residents, regardless of where their services were performed. If a New York resident is employed entirely outside of New York and wages earned are subject to the withholding tax of another state, that employer is not required to withhold New York taxes unless the withholding amount for the other state's tax is less than the withholding amount for New York. In situations where employers may have to withhold income tax for another state or political subdivision as well, double withholding may be avoided by reducing the amount of New York state tax required to be withheld by the amount of income tax required to be withheld for the other taxing jurisdiction. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
North Carolina	**Withholding for Nonresidents —** Employers must withhold North Carolina income taxes from wages earned by nonresidents within the state. Any relief for nonresidents of double withholding must be granted by the employee's state of residence. Withholding at a rate of 4 percent is required on nonresident independent contractor payments of more than $1,500 per year. **Residents Working Outside the State —** To prevent double withholding of wages earned by North Carolina residents working in another jurisdiction, North Carolina withholding is not required if the employer is required to withhold taxes from those wages for the other state or jurisdiction. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
North Dakota	**Withholding for Nonresidents —** Employers must withhold North Dakota taxes from wages paid to nonresidents working in North Dakota. **Residents Working Outside the State —** Employers of North Dakota residents working in a state that requires the withholding of taxes from wages earned in that state are not required to withhold North Dakota taxes. **Reciprocity —** North Dakota has entered into reciprocal agreements with Minnesota and Montana. Residents of those states working in North Dakota are excluded from North Dakota income tax withholding if they file and pay income tax to their respective states of residence. Those North Dakota workers who are nonresidents should file Form NDW-R, Affidavit of Residency, with their employer annually. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Ohio	**Withholding for Nonresidents —** Employers must withhold Ohio income tax from the wages of nonresidents for services performed within the state. Income must be appropriately allocated for nonresidents working inside and outside of Ohio in order to determine the amount of Ohio withholding. **Residents Working Outside the State —** Ohio residents are not subject to Ohio state withholding when performing services in a different state if they are subject to the other state's income tax withholding requirements. **Reciprocity —** Ohio has reciprocal agreements with Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. Employers in Ohio and all participating states must withhold income tax from the state of the employee's residence. Nonresident employees working in Ohio must present employers with a completed Form IT-4-NR, Employee's Statement of Residency in a Reciprocity State, to claim exemption from withholding. Nonresident employees working in Ohio under the reciprocal agreements can have withholding for their home state taken from their wages provided the agency has adopted a rule authorizing such deduction. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Oklahoma	**Withholding for Nonresidents —** Employers paying wages earned by nonresident employees within the state must withhold Oklahoma tax from those wages. A nonresident is taxed on wages exceeding $300 a calendar quarter for services performed within Oklahoma. **Residents Working Outside the State —** If an Oklahoma resident earns wages outside the state subject to another jurisdiction's withholding, Oklahoma withholding is not required. However, should the other state not have an income tax law, the employer must withhold Oklahoma tax from those wages earned in that state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Oregon	**Withholding for Nonresidents —** Employers must withhold Oregon taxes from all wages paid to nonresidents for services performed in the state. Nonresident employees working inside and outside the state are subject to withholding only on the wages earned within Oregon, and the employer must allocate appropriately the Oregon source wages for withholding purposes. Nonresident employers may calculate liability for employees in Oregon by using a method provided by the Oregon Department of Revenue. **Residents Working Outside the State —** Oregon residents working outside the state are subject to Oregon withholding when their employer is located in Oregon. **Reciprocity —** The state of California allows residents of Oregon working in California a tax credit toward their California income tax liability for taxes paid to Oregon. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.

Pennsylvania	**Withholding for Nonresidents —** Employers maintaining an office or transacting business within Pennsylvania must withhold Pennsylvania income tax from each payment of wages to nonresidents for services performed within the Commonwealth. For nonresidents working inside and outside Pennsylvania, subjected wages and withholding amounts are computed as: a portion of the total wages in which the number of working days employed within Pennsylvania bears to the total number of working days, with nonworking days excluded; compensation from sales volume achieved within Pennsylvania for employees as opposed to the total sales achieved; or wages allocated based on the preceding year's experience. **Residents Working Outside the State —** A resident of Pennsylvania working in another state for a Pennsylvania employer has Pennsylvania tax withheld unless the other state has an income tax and the employer is withholding that state's tax. If the other state has no income tax, the employer withholds for Pennsylvania for compensation earned by Pennsylvania residents. If the other state has an income tax law and the employer is withholding such tax, Pennsylvania tax must also be withheld if an employee also performs the same services within the state of Pennsylvania. **Reciprocity —** Pennsylvania has reciprocal withholding agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. If a Pennsylvania resident receives compensation for working in one of the covered states, the employer withholds Pennsylvania taxes from those wages and remits the money to Pennsylvania. Nonresidents from the covered states working in Pennsylvania must file Form REV-420, Employee Statement of Nonresidence and Authorization to Withhold Other States' Income Tax. Pennsylvania urges its employers to register with these other states so that all taxes for the covered states may be properly withheld. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Puerto Rico	**Withholding for Nonresidents —** Employers are required to withhold income tax from all fixed and determinable income paid to residents and nonresidents. **Residents Working Outside the State —** Withholding of Puerto Rico income tax is not required when services are rendered outside of Puerto Rico by a resident whose employer is bound to withhold tax at the source. **Reciprocity —** None.
Rhode Island	**Withholding for Nonresidents —** Employers in the state must withhold Rhode Island tax from wages paid to any nonresident for services performed within the state. Methods for allocating wages for nonresidents working inside and outside of the state may be prescribed by the Tax Administrator. **Residents Working Outside the State —** If a resident is subject to withholding in another state, the amount of that withholding may be used as a credit against any Rhode Island tax liability. Employers in other states may wish to withhold Rhode Island tax from wages of Rhode Island residents earned outside the state as a convenience to those employees. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
South Carolina	**Withholding for Nonresidents —** Employers in South Carolina must withhold state income taxes from wages paid to nonresidents for services performed within South Carolina. Nonresidents are subject to withholding for the South Carolina portion of their income, and are required to file Nonresident Individual Income Tax Returns at the close of the year. Any employer contracting with any nonresident conducting temporary business in South Carolina must withhold tax at a rate of 2 percent from payments made if the contract exceeds $10,000. **Residents Working Outside the State —** Residents working outside of South Carolina are subject to withholding for that income unless that income is also subject to withholding in the other state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable (if treated as wages).
South Dakota	South Dakota has no state personal income tax law.
Tennessee	Tennessee has no state personal income tax law that requires withholding from wages.
Texas	Texas has no state personal income tax law.
Utah	**Withholding for Nonresidents —** Employers are required to withhold Utah taxes from wages earned by nonresidents for working within the state. Employers doing business in Utah less than sixty days within one calendar year may apply for a certificate relieving them of the withholding requirement. **Residents Working Outside the State —** Utah employers with Utah resident employees working in another state must withhold Utah tax from the wages earned by those employees only to the extent that it exceeds the withholding requirements of the other state. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Vermont	**Withholding for Nonresidents —** Employers are required to withhold Vermont income tax from each payment to employees for services performed within Vermont. **Residents Working Outside the State —** Vermont withholding is computed on the employee's entire earnings, which is then reduced by the amount withheld for other states where services were performed. **Reciprocity —** None. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.

Virginia	**Withholding for Nonresidents —** All employers doing business within the Commonwealth must withhold Virginia tax from all wages paid to nonresidents for services performed within Virginia, except those covered by a reciprocal agreement. **Residents Working Outside the State —** Employers are not required to withhold Virginia tax from the wages of Virginia residents earned outside the Commonwealth unless the other state or jurisdiction has no income tax or there is a reciprocal agreement between Virginia and another state. Employees subject to tax in another state will receive credits for those taxes against the amount owed to Virginia. Such employees should annually file Form VA-4b, Employee's Withholding Income Tax Credit for Income Taxes Paid to Another State, which authorizes the employer to allow a portion of the credit each pay period to reduce the Virginia income tax withholding from the employee's wages. **Reciprocity —** Reciprocal agreements exist between Virginia and the District of Columbia, Kentucky, Maryland, Pennsylvania, and West Virginia. Under the reciprocal agreements, Virginia employers are not required to withhold income tax from nonresident employees who reside in these jurisdictions and commute daily to work inside the state. Such exempt nonresident employees should indicate their status on Form VA-4, Personal Exemption Worksheet. A nonresident employee from a reciprocal state who either moves to Virginia or ceases to commute daily to the state should notify his or her employer within 10 days after the change of status. The Virginia employer must then commence withholding the full amount of state income tax. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Washington	Washington has no state personal income tax law.
West Virginia	**Withholding for Nonresidents —** Employers must withhold West Virginia tax from the wages of nonresidents for services performed within the state only. For nonresidents working inside and outside the state, only wages earned within West Virginia are subject to West Virginia income tax withholding. The nonresident employee must indicate the appropriate allocation on Form WV/IT-104. If no form is filed, the employer must withhold taxes as if the employee worked entirely within the state of West Virginia. Employers are to ensure the correct amounts are being withheld by apportioning the total wages by figuring how the number of working days within West Virginia bears to the total number of working days; apportioning sales compensation by comparing the volume achieved within West Virginia with the total sales volume, and arriving at a percentage to allocate the earnings; or by utilizing the preceding year's experience, if any. Withholding of nonresidents wages earned in West Virginia is not required if a credit for their home state's tax is sufficient to offset all of the West Virginia tax. **Residents Working Outside the State —** West Virginia residents should have West Virginia tax withheld from wages earned in the other state to avoid underpayment of taxes or quarterly payments of estimated taxes. Those covered under reciprocal agreements are excluded if they file Form WV/IT-104, Withholding Exemption Certificate, with their employer. **Reciprocity —** West Virginia has reciprocal withholding agreements with Kentucky, Maryland, Ohio, Pennsylvania, and Virginia and the provisions exempt West Virginia employers from withholding West Virginia taxes from residents of those states, should those residents file a Form WV/IT-104, Withholding Exemption Certificate. If Form WV/IT-104 is not properly executed by an employee who is a resident of those states, the employer must continue to deduct and withhold West Virginia income tax. Participating states treat West Virginia residents in the same manner. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Wisconsin	**Withholding for Nonresidents —** Wages paid a nonresident for services performed within Wisconsin are subject to Wisconsin withholding if the employer can reasonably expect that the employee's annual earnings in the state will exceed $1,500 and if there is no reciprocal agreement with the employee's home state. Withholding is required for nonresidents only on wages earned for services performed within Wisconsin, even if the nonresident also worked outside of the state. Employers are to determine appropriate allocation of wages. **Residents Working Outside the State —** Employers of Wisconsin residents working in other states must withhold Wisconsin income tax from wages earned by those individuals, and the withholding requirements for the other states have no bearing on the withholding of Wisconsin taxes. Those covered under reciprocal agreements are excluded. **Reciprocity —** Wisconsin has entered into reciprocal withholding agreements with Illinois, Indiana, Kentucky, and Michigan. Residents of these states working within Wisconsin must provide a written statement certifying place of residence so the employer may be relieved from withholding Wisconsin income taxes. Nonresidents from participating states must complete Form W-220, Nonresident Employee's Withholding Reciprocity Declaration. **Severance Payments to Nonresidents (Services Performed In–State) —**Taxable.
Wyoming	Wyoming has no state personal income tax law.