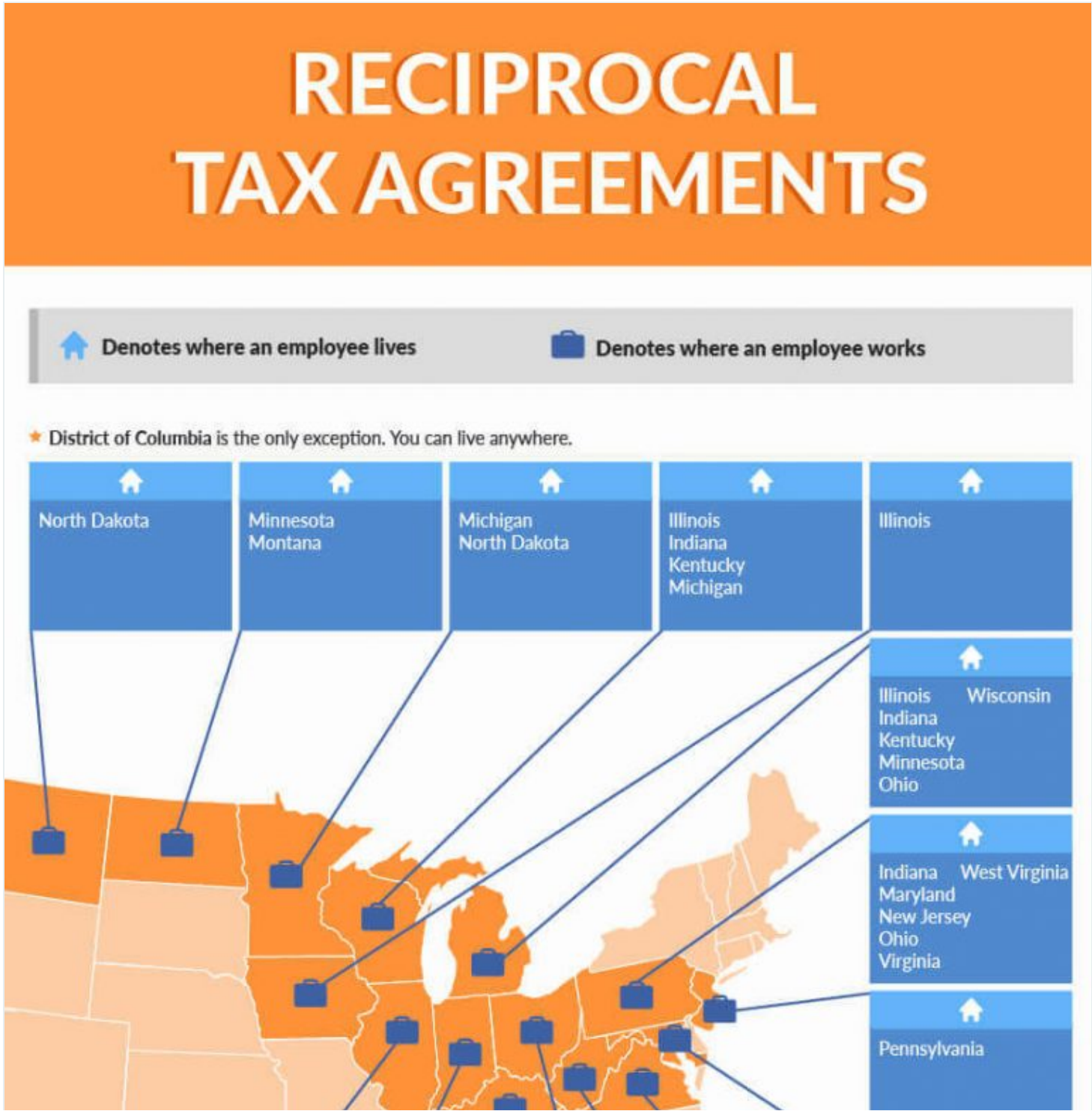


Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Withholding agreements between states usually do not apply to income earned outside of employment.

Kaylee Riley • Mar. 22, 2017



Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

				
Iowa Kentucky Michigan Wisconsin	Kentucky Michigan Ohio Pennsylvania	Illinois Indiana Michigan Ohio Virginia	Wisconsin West Virginia Indiana Kentucky Michigan Pennsylvania West Virginia	Kentucky Maryland Ohio Pennsylvania Virginia

© Patriot Software, LLC. All Rights Reserved.
This is not intended as legal advice.



Employees who live in one state but work in another might benefit from a tax reciprocity agreement between the two states.

If you have an employee who lives in one state but works in another, you typically withhold state and **local taxes** for the work state. The employee would still owe taxes to their home state. If there is a reciprocal agreement between the home state and the work state, the employee is exempt from state and local taxes in their employment state.

For example, an employee lives in Pennsylvania but works in Virginia. Pennsylvania and Virginia have a reciprocal agreement. The employee only needs to pay state and local taxes for Pennsylvania, and not for Virginia. You withhold the taxes for the employee's home state.

What does tax reciprocity cover?

Tax reciprocity normally applies to any wages an employee earns through employment: hourly wages, salaries, tips, commissions, and bonuses. Reciprocal tax withholding agreements between states usually do not apply to income earned outside of employment.

Tax reciprocity only applies to state and local taxes. It has no effect on federal [payroll](#)

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

giving you their work state tax exemption form. Employees can get the form from their work state's government website.

Your role in state tax reciprocity as an employer

If an employee gives you an exemption form, you should stop withholding for the work state. You should then begin withholding for the employee's home state. At the end of the year, use [Form W-2](#) to tell the employee how much you withheld for each state.

What if you withhold taxes for the work state?

When an employee who lives in one state and works in another starts working for you, you might automatically begin withholding taxes for the employment state. If you withhold taxes for the work state and not the residency state, the employee will have to submit quarterly tax payments to their home state.

When the employee does their individual tax return, they need to submit a tax return for each state where taxes were withheld. The employee will likely receive a tax return for the taxes paid to the work state.

List of states with reciprocal agreements

Tax reciprocity between states does not apply to all states. An employee must live in a state and work in a state that have a tax reciprocity agreement together. Below is a list of every state that has a reciprocal agreement.

The employee works in ...	The employee lives in ...	Form employee must fill out
District of Columbia	Anywhere but the District of Columbia	D-4A

Hello. It looks like you’re using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

	West Virginia	
Michigan	Illinois, Indiana, Kentucky, Minnesota, Ohio, Wisconsin	MI-W4
Minnesota	Michigan, North Dakota	MWR
Montana	North Dakota	MT-R
New Jersey	Pennsylvania	NJ-165
North Dakota	Minnesota, Montana	NDW-R
Ohio	Indiana, Kentucky, Michigan, Pennsylvania, West Virginia	IT-4NR
Pennsylvania	Indiana, Maryland, New Jersey, Ohio, Virginia, West Virginia	REV-419
Virginia	District of Columbia, Kentucky, Maryland, Pennsylvania, West Virginia	VA-4
West Virginia	Kentucky, Maryland, Ohio, Pennsylvania, Virginia	WV/IT-104 R
Wisconsin	Illinois, Indiana, Kentucky, Michigan	W-220

The New York tri-state area (New York, New Jersey, and Connecticut) does not have reciprocal agreements. Because of this, employees in this area will have taxes withheld from their wages for their work state and will have to submit payments for their home state.

Reprinted with permission. Kaylee Riley is a content writer for Patriot Software.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us