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location.

Nov. 05, 2020



In the wake of the COVID-19 pandemic, remote work has gone from being a perk offered by employers to standard operating practice for many companies. A survey of 2,053 U.S. adults conducted in October by The Harris Poll on behalf of the [American Institute of CPAs](#) (AICPA) showed that among the 58 percent of Americans currently employed, 42 percent have worked remotely during the COVID-19 pandemic and 25

percent are currently working remotely. The survey also revealed that more than half

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AICPA Director for Tax Policy & Advocacy and state tax expert, Eileen Sherr, CPA, CGMA. “The sudden and unplanned increase of many employees working remotely due to the pandemic has left many of them unaware of their current state tax liabilities and any additional steps they need to take now and at tax filing time.”

The AICPA survey also found that of those who have worked remotely during the COVID-19 pandemic:

- 47 percent were not aware that each state has their own tax laws related to remote working;
- 71 percent were not aware that working remotely in other states can have an impact on the amount of state taxes owed; and
- 54 percent were unaware that the number of days worked out of the state where their physical workplace is located may also impact the amount of state taxes owed.

When asked if their state has state income tax reciprocity with any other state, 42 percent of Americans were unsure.

Among those currently working remotely who have worked in a state other than where their pre-pandemic physical workplace was located, many have done so across multiple states (on average three) for relatively short periods of time. Most of these remote workers – 75 percent – have worked out-of-state for 60 days or less, and 51 percent have worked out-of-state fewer than 30 days total.

The survey also provided some optimistic results, noting that 67 percent of those who have worked out-of-state notified their employer of the state they are working in, 51 percent have tracked the number of days worked in each state and 41 percent have changed their state income tax withholding.

“Some remote workers are taking the right steps – notifying employers, tracking days

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1. Compile a list of any states you've worked remotely in during 2020.
2. If you didn't track the number of days worked in other states, try to approximate the number of days worked in each state.
3. Depending on the state, income taxes may also be levied by cities, counties, municipalities, school districts or other jurisdictions. Make sure you also track this level of detail.
4. Consult a CPA – taxpayers will likely have questions about how and where to file state taxes. A licensed CPA can help navigate those questions and effectively manage your state tax liability.
5. Check your state tax withholding – make any adjustments that are needed. If you do not have the correct state tax withholding, you may owe state taxes, interest and penalties when you file your taxes.
6. Going forward, continue to keep a record of all jurisdictions you work remotely in.

AICPA has [advocated](#) for compliance burden relief and simplification for remote workers, addressing the inconsistent state and local income tax and withholding rules. It supports creating a uniform standard to simplify compliance with the various state and local income tax laws. “If there were ever a time for filing relief and simplification for remote workers, this is it. But for now, the sooner people start taking steps, the easier and less costly it will be for them next Spring,” noted Sherr.

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