

## **Pennsylvania issues COVID-19 telework guidance**

Pennsylvania has issued temporary guidance relating to telework and related income and sales and use tax implications. The guidance will be in effect until the earlier of June 30, 2021, or 90 days after the Proclamation of Disaster Emergency in Pennsylvania is lifted.

**Employees.** If an employee is working from home temporarily due to the COVID-19 pandemic, Pennsylvania does not consider that a change to the sourcing of the employee's compensation. For non-residents who were working in Pennsylvania before the pandemic, their compensation remains Pennsylvania sourced income for all tax purposes. This includes for purposes of PA-40 reporting, employer withholding and three-factor business income apportionment for S Corporations, partnerships and individuals.

Conversely, for Pennsylvania residents who were working out-of-state before the pandemic, their compensation remains sourced to the other state and they can still claim a resident credit for tax paid to the other state on the compensation.

**Employers.** For Pennsylvania employers with non-resident employees temporarily working from home due to the COVID-19 pandemic in a state that doesn't have a reciprocity agreement with Pennsylvania, Pennsylvania advises that the employee's compensation remains Pennsylvania sourced, and the employer must withhold on the compensation.

**Nexus for corporate net income tax/sales and use tax.** As a result of the COVID-19 pandemic causing people to temporarily work from home, Pennsylvania will not seek to impose Corporate Net Income Tax (CNIT) nexus or Sales and Use Tax (SUT) nexus solely on the basis of this temporary activity. (*Pennsylvania Department of Revenue, Telework During the COVID-19 Pandemic, November 9, 2020.*)