

Wisconsin issues withholding update on telecommuting

Due to COVID-19, the following apply for Wisconsin purposes:

- Nexus – Wisconsin will not consider an out-of-state business to have nexus in Wisconsin if its only Wisconsin activity is having an employee working temporarily from the employee's home during this national emergency (COVID-19);
- Income Tax on Wages – Telecommuting employees continue to report their income based on the guidance in Wisconsin Tax Bulletin 171 (April 2011), page 13, article titled Telecommuting and Mobile Employees.
- Employer Withholding Tax – Wisconsin's withholding tax requirements regarding wages paid to an employee have not changed.

Example 1:

- Company A is located in Wisconsin
- Individual B is a resident of Minnesota and an employee of Company A
- Prior to the national emergency, Individual B commutes daily to work for Company A in Wisconsin
- During the national emergency, Company A allows Individual B to work from his or her home in Minnesota

Wages paid to Individual B prior to the national emergency are subject to Wisconsin income tax because he or she is physically present in Wisconsin while performing services, and Company A is required to withhold Wisconsin income tax from these wages.

Wages paid to Individual B during the national emergency are not subject to Wisconsin income tax because he or she is not physically present in Wisconsin while performing services, and Company A is not required to withhold Wisconsin income tax from these wages.

Example 2:

- Company D is located in Minnesota
- Individual E is a resident of Wisconsin and an employee of Company D
- Prior to the national emergency, Individual E commutes daily to work for Company D in Minnesota
- During the national emergency, Company D allows Individual E to work from his or her home in Wisconsin. Company D has no other activities in Wisconsin during the national emergency.

Wages paid to Individual E prior to the national emergency are subject to Wisconsin income tax because he or she is a resident of Wisconsin. However, Company D is not required to withhold Wisconsin income tax from these wages because of the special withholding arrangement

between Wisconsin and Minnesota. More information about this arrangement is located on the department's <https://www.revenue.wi.gov/Pages/TaxPro/2010/news-2010-100120.aspx>.

Wages paid to Individual E during the national emergency are subject to Wisconsin income tax because he or she is a resident of Wisconsin. However, because Company D is not considered to have nexus in Wisconsin during the national emergency (COVID-19), it is not required to withhold Wisconsin income tax from Individual E's wages. Company D may withhold Wisconsin income taxes from Individual E's wages. (*Wisconsin Withholding Tax Update, November 2020.*)