Multistate Payrolls

Keys to Compliance

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Multistate Payrolls

Multistate Issues

♦ Wage & Hour
♦ Regulations for Paying Employees
♦ Taxation of Types of Compensation
♦ Taxation of Benefits
♦ Deductions From Pay
♦ Employer Taxes
♦ Unemployment Insurance
♦ State Disability Insurance
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Multistate Issues (Cont)

- Workers’ Compensation
- Reporting Requirements
- Local Taxes
- And lots more...

Multistate Payrolls

- Critical Tools
  - State Abbreviations
  - Payroll Guide or Service
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♦ State Tax Withholding
  – Nine states with no income tax
    • Alaska
    • Florida
    • Nevada
    • New Hampshire
    • South Dakota
    • Tennessee
    • Texas
    • Washington
    • Wyoming

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♦ State Tax Withholding
  – Factors in Determining Withholding
    • Nexus
    • Who is Employer
    • Who is Employee
    • State of Residence
    • State(s) Where Services are Performed
♦ Nexus
  – Business Connection
  – Nexus Questionnaire

♦ Who is Employer?
  – Nexus
  – Office in state
  – Pays wages for services performed in state
  – Employers required to withhold FIT also must withhold SIT
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♦ Who is Employee?
  – Common law rule – IC or employee
  – Individual performing services in state

♦ State of Residence
  – Length of time in state
  – Permanent place of abode
  – Domiciled
    • Property ownership
    • Bank account
    • Driver’s license and vehicle registration
    • Voting registration
    • Presence of family
    • Club and church memberships
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- State(s) where services are performed
  - State of office where employee assigned and works from
  - State where services are performed – if different
  - Services performed in more than one state
    - Allocation rules
      - SALARIED EMPS - # of days worked in state
      - HOURLY EMPS - # hours in state as % of total hours
      - COMMISSION EMPS - % sales attributable to state as % of total

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- Reciprocity Agreements
  - Tax in Live State
  - Certificate of Non-Residence

- Rules on Taxing Nonresident
  - When no reciprocity exists
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 Exceptions
 - Military Spouses Residency Relief Act
 - Air Transportation Employees
 - Interstate Transportation
 - Water Carriers
 - Railroad Workers

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 Local Taxes
 - Alabama
 - California
 - Colorado
 - Delaware
 - Illinois
 - Indiana
 - Kentucky
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- Local Taxes (Cont)
  - Maryland
  - Michigan
  - Missouri
  - New Jersey
  - New York
  - Etc.

**Multistate Payrolls**

- Supplemental Wages
  - Bonuses
  - Back Pay
  - Commissions
  - Overtime Pay
  - Exercise of nonstatutory stock options
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- Withholding Certificates
  - Allow Use of Federal Form W-4
  - If No Withholding Certificate
  - Exempt Status Expires Annually
  - Sending Exempt Forms to State Tax Department

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- Forms W-2 to Current and Terminated Employees
  - Federal Rules
  - Terminated Employee
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♦ Wage & Hour Issues
  – Minimum Wage
    • Could be higher than federal
    • Employees covered by FLSA
    • Subminimum wage

♦ Wage & Hour Issues
  – Overtime
    • Don’t always follow federal
    • May be number of hours worked in a day or consecutive days worked.
    • DOL has chart for minimum wage and overtime rules
    • [http://www.dol.gov/whd/minwage/america.htm](http://www.dol.gov/whd/minwage/america.htm)
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♦ Wage & Hour Issues
  – Meal & Rest Periods
    • Only State Wage Hour Laws, not FLSA
    • Meal or rest periods after working a certain amount of hours

♦ Wage & Hour Issues
  – Call-In Time Requirements
    • Employee is called in to work and then sent home
    • All hours worked, not necessarily productive work
    • Engaged to be waiting or
    • Waiting to be engaged
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♦ Wage & Hour Issues
  - Hiring of Minors
    • Number of hours or duties performed
    • When school is in session
    • When school is not in session
    • Age certificates or working papers

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♦ Wage & Hour Issues
  - Tip & Tip Credit
    • Federal law allows $2.13/hour if tips make up the difference of federal minimum wage
    • If state and federal are different, most favorable to employee must be followed
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♦ Wage & Hour Issues
  – Jury Duty Pay Laws
    • The Jury Systems Improvement Act of 1978
    • Docking pay of exempt employees
    • Federal tax treatment of wages from employer while on jury duty

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♦ Wage & Hour Issues
  – Time Off to Vote Laws
    • No federal law
    • Hours polls are open
    • Deduction from wages
    • Request from employee
    • Types of elections
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- Regulations for Paying Employees
  - Pay Frequency
  - Lag Time
  - Methods of Payment
  - Electronic Pay Statements
  - Payment Upon Termination

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- Deceased Employee Wages
  - State Laws
    - Maximum Payable
    - To Whom Payable
    - Conditions
    - Tax Withholding
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- **Deceased Employee Wages**
  - Federal Law
    - Check Received But Not Cashed
    - Paid After Death in Same Year
    - Paid After Year of Death

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- **Unclaimed Wages**
  - When Wages are Considered Abandoned
  - Reporting & Recordkeeping
  - Where to Remit
  - Due Diligence
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♦ Taxation of Types of Compensation
  - Severance
  - Personal Use of Company Car
  - Educational Assistance

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♦ Taxation of Benefits
  - Group-Term Life Insurance
  - 401K Deferrals
  - Café 125
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♦ Deductions From Pay
  – Creditor Garnishment
    • Definition of Disposable Earnings
    • Amount of Wages Exempt
    • Administrative Fees

♦ Deductions From Pay (Cont)
  – Child Support
    • When to Begin Withholding
    • When to Send Payments
    • When to Send Termination Notices
    • Maximum Administrative Fee
    • Maximum Withholding Amount
    • Priority for Multiple Orders
    • Medical Child Support Orders
    • OCSE Website
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♦ Employer Taxes
  – Nevada Modified Business Tax
  – New Hampshire Business Enterprise Tax

♦ Unemployment Insurance
  – Employment Status
    • Common Law Test
    • ABC Test
  – Taxable Wage Base
  – Contribution Rate
    • New Employer
    • Experience Rate
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- Unemployment Insurance (Cont)
  - Experience Rating Methods
    - Reserve Ratio
    - Benefit Ratio
    - Benefit Wage Ratio
    - Payroll Stabilization

- Employee Contributions
- New Employer Rates
- Voluntary Contributions
- Employees working in multiple states
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♦ State Disability Insurance & Family/Sick Leave
  – Type of Plan
  – Coverage
  – Wage Base
  – Employee/Employer Contributions
  – Weekly Benefit Amount and Duration

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♦ Workers’ Compensation
  – Classification Codes
  – Compensation Excluded from wages
    • Overtime Premiums
    • Severance
    • Uniform Allowances
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- Reporting Requirements
  - Report Due Dates
  - New Hire Reporting
  - Multiple Worksite Reporting
  - Record Retention

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We’ve covered about as much multistate information as our brains can handle for one day.

I hope it was helpful.
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Q&A

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