INFORMATIONAL CIRCULAR NO.: 21-P-001

DATE: August 10, 2020

SUBJECT: State Tax Implications for Teleworking

EFFECTIVE DATE: Immediately

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APPROVAL:

SUMMARY: State Tax Withholding Changes Due to Teleworking for COVID-19.

Per the Internal Revenue Service (IRS), taxes are to be withheld for the state in which the individual is performing the work. For individuals employed by the State of Kansas, the state for tax withholding is generally Kansas. However, due to the impacts of the Coronavirus pandemic many agencies have implemented telework policies for their employees. Due to this transition, employees who live outside the state of Kansas may now be performing their normal job duties on a regular basis within the state they live.

Statewide Payroll will provide a listing to agency payroll contacts of employees for whom the home address in SHARP is not Kansas. Agencies are asked to review the current work location of each employee to determine if the employee is teleworking part-time or full-time from their home address located outside of the state of Kansas. For those employees teleworking and living in a state other than Kansas, the agency will need to determine if taxes for the employee’s state of residence need to be withheld.

Some states are offering an exemption from state income tax withholding for employees temporarily teleworking in their home state due to the pandemic. Of the four states bordering Kansas, only Nebraska is currently offering an exemption from withholding. Any employee teleworking on a regular basis from Colorado, Oklahoma, or Missouri, or another state that has not waived withholding, will require an update to state tax withholding. Please note that agencies only need to review and update income tax withholding, as unemployment insurance obligations are monitored and reviewed by Statewide Payroll.

For those states with no COVID-19 exceptions or no existing exemptions for employees who are teleworking, agencies will need to take the following actions:

**For an employee now living/working (teleworking) from a state other than Kansas:**

- Contact the employee to complete the state tax withholding form for their home state and return it to the agency HR/Payroll office.
- Add a new State Tax Data row for the employee in SHARP to initiate state tax withholding to the state in which the employee is living and working. The State Tax Data row for Kansas can be left as is currently.
- Please see the SHARP 9.2 Training and Desk Aids Payroll Courses Lesson 2: Employee Payroll Tax Data for help in completing these changes.
- See the attached procedures for updating the employee Time Reporter Data, which is required in order to capture the state the employee hours are worked in. If you have
questions with the setup, please contact Heather DeBusk at Heather.DeBusk@ks.gov or via phone at (785) 296-2434.

- Notify the multi-state withholding teleworker(s) that the individual is responsible for tracking and reporting on the employee timesheet the number of hours worked by State in the pay period.

The instructions in this informational circular address multi-state tax withholding for SHARP agencies. Regent agencies are responsible for completing any necessary updates to properly calculate and report state tax withholding for employees working in multiple state locations.

Please note the changes to employee data may require both HR and Payroll offices within the agency. For questions on tax data setup please contact Carmen Waters at (785) 296-7059 or by email at Carmen.Waters@ks.gov. For questions regarding the tax changes for teleworkers please contact Amanda Entress at (785) 296-3887 or by email at Amanda.Entress@ks.gov.

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