

Income/Franchise:

Minnesota DOR Clarifies Withholding for COVID-19 Pandemic-Related Telecommuting

Bulletin: How to handle incorrect wage allocation on 2020 Forms W-2, Minn. Dept. of Rev. (2/17/21). The Minnesota Department of Revenue (Department) explains via bulletin that employees who normally work in one state but live in another state, and are now working from home due to the COVID-19 pandemic, must have their respective wages allocated to the state where work was physically performed for Minnesota individual income tax purposes – warning that some employees may have received Forms W-2 from their employers “with improperly allocated wages” due to pandemic-related telecommuting. Accordingly, the Department clarifies that because employee wages should be allocated to the state where work was physically performed, employees may need to manually allocate their wages based on the number of days worked while in their home state. Such employees also may consider asking their respective employers for a corrected Form W-2c allocating income to the state in which their work was performed. The Department additionally notes that if an individual employee receives a Minnesota underpayment penalty due to incorrect wage allocation, the individual “may request an abatement of the penalty.”

URL: <https://content.govdelivery.com/accounts/MNREV/bulletins/2c20b3e>

Previously issued guidance from the Department states that it will not seek to establish nexus for business income tax or sales and use tax purposes solely because an employee is temporarily working from home due to the COVID-19 pandemic [see *COVID-19 FAQs for Businesses – Business Taxes: Will Minnesota impose nexus for business taxes on a company solely due to an employee who is temporarily telecommuting from a Minnesota location due to COVID-19* for more details on this earlier guidance]. Please contact us with any questions.

URL: <https://www.revenue.state.mn.us/covid-19-faqs-businesses>

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