2014 Payroll Fact Sheet

MULTI- STATE TAXATION ISSUES

The following information was provided in a seminar conducted by the American Payroll Association.

For Which State Must You Withhold?

If your company has operations in more than one state, you may be faced with income tax withholding for more than one state. Sometimes, you may even have to withhold income tax for more than one state from the same employee. Withholding can get even more complicated when you have employees who live in a different state than the one they work in or who perform services in more than one state.

Deciding which state's income tax to withhold can be a confusing process. How do you determine who is a resident and whether you should follow the laws of the state of residence or the laws of the state in which services are performed? Not all states answer these basic questions in the same way and, sometimes, state laws conflict. Even the simple word "operations," as used in the paragraph above, is more complex than you might think.

From a basic rule of thumb to three rules

The default rule of state income tax withholding that can be used as a starting point is to withhold income tax for the state in which services are performed. It can be applied in most situations in which tile employee lives and works in the same state (assuming it is not one of the nine states without income tax withholding: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

However, up to three other withholding rules may have to be considered when the situation is not as straightforward. For example, an employee who lives and works in one state may still be a resident of some other state; that's where withholding Rule No. 1 comes into play. In this scenario, the employee may have income tax liability for the state of residency, and, if you have operations in that state and meet certain other criteria, you may be required to withhold for that other state. On the next level, if an employee lives in one state and works in another, each state's laws of reciprocity (withholding Rule No. 2) and resident/non-resident taxation policies (withholding Rule No. 3) must be examined.

Withholding rule number 1: Resident defined

The very first determination that must be made is the state of residence of the employee. This is primary because a resident of a state is subject to the laws of that state, including its income tax laws. Furthermore, states have varying policies on withholding from residents who perform services in another state and from nonresidents who perform services within the state. To locate and apply the policies correctly, you'll need to know which state(s) can claim the employee as a resident.

Employees commonly claim that they are a resident of their "home" state. If the employee has relocated to work for you, he/she may assert that the former state is his/her state of residence because he/she still has a home and family there (and doesn't want to complete personal income tax returns for two states). An employee who works for you only during the nine months of the school year, for example, might try to claim that she is a resident of the state she grew up in but in which she now spends only three months of the year. This may be especially likely if her home state doesn't have an income tax.

It's up to you to locate and follow the rules of the appropriate state. Most states have a two-pronged definition of residency, outlining that someone will be a resident by either:

1. Being domiciled in the state, or

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2. Spending more than a certain number of days in the state.

The term "domicile" usually means the place where an individual has a true, fixed, permanent home and principal establishment, and it usually means the place to which the individual intends to return. Common indicators that an individual is domiciled in a particular location include:

- Property ownership
- Bank accounts
- Driver's license and vehicle registration
- Voting registration
- Presence of family
- Club and church memberships

For example, New York claims as a resident anyone who is either of the following:

- Domiciled in the state, or
- Maintains a permanent place of abode and spends more than 183 days of the year in the state

Table of State residency definitions

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	STATE DEFINITIONS OF A RESIDENT FOR INCOME TAX WITHHOLDING
Alabama	A person having a permanent place of abode or who is domiciled in the state and spends more than seven months a year in the state
Alaska	Not applicable
Arizona	A person domiciled or who spends more than nine months a year in the state
Arkansas	A person domiciled in the state or who maintains a residence and spends six months a year in the state
California	Withholding required for residents and nonresidents
Colorado	A person maintaining a permanent place of abode or domiciled in the state and spends more than six months a year in the state
Connecticut	An individual who is domiciled or has a permanent place of abode in the state and spends more than one half of the year in the state
Delaware	A person who is domiciled, maintains a permanent place of abode, and spends more than 183 days a year in the state

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District of Columbia	A person domiciled or residing or has a place of residence in the state tbr more than seven months in the year
Florida	Not applicable
Georgia	A person moving in or out of the state is taxed only on income received in the state
Hawaii	Any individual domiciled or residing in the state. Reside is to spend more than 200 days a year in the state
Idaho	A person who is domiciled, and maintains a place of abode for thc entire year and resides in the state more than 270 day a year
Illinois	Any person who is in the state for other than a temporary or transitory purpose during the year
Indiana	Anyone who resides, maintains a place of legal residence and spends more than 183 days of the year in the state
Iowa	A person domiciled in or maintaining a permanent place of abode in the state
Kansas	A person domiciled in, maintaining a permanent abode, and spending more than six months a year in the state

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Kentucky	A person who is domiciled, maintains a permanent place of abode, and spends more than 183 days a year in the state
Louisiana	Anyone domiciled, maintaining a permanent place of abode, or who spends more than six months of the year in thc state
Maine	A person who is domiciled, maintains a permanent place of abode, and spends more than 183 days a year in thc state
Maryland	Anyone domiciled in the state on the last day of tile year or who maintains a place of abode within the state
Massachusetts	A person who is domiciled, maintains a permanent place of abode, and spends more than 183 days a year in the state
Michigan	An individual who lives in the state at least 183 days in the year
Minnesota	An individual domiciled in the state or outside of the state who maintains a place of abode and spend more than one half of the year in the state
Mississippi	A person domiciled in the state
Missouri	A person domiciled or who spends more than 183 days of the year in the state

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Montana	An individual who has a domicile or who maintains a permanent place of abode within the state and has not established residence elsewhere
Nebraska	A person who is domiciled, maintains a permanent home and spends more than six months of the year in the state
Nevada	Not applicable
New Hampshire	Not applicable
New Jersey	Any person domiciled in the state for the full year or is not domiciled in the state but maintains a permanent home and spends more than 183 days of the year in the state
New Mexico	A person domiciled in the state
New York	A person domiciled or who maintains a permanent place of abode and spends more than 183 days of the year in the state
North Carolina	Withholding required for residents and nonresidents
North Dakota	An individual domiciled, or who maintains a permanent place of abode within the state and spends more than seven months of the year in the state

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Ohio	A person domiciled in, living in, or who maintains a permanent place of abode in the state and doesn't spend more than 335 days outside of the state
Oklahoma	A person who maintains a permanent place of abode, or is domiciled in the state and spends more than seven months of the year in the state
Oregon	A person domiciled or who maintains a permanent place of abode and spends more than 200 days of the year in the state
Pennsylvania	A person who is domiciled in the state(unless a permanent place of abode is maintained else where and no more than 30 days are spend in the state) annually or is not domiciled in the state but maintains a permanent place of abode in the state and spends more than 183 days a year in the state
Rhode Island	A person domiciled or who maintains a permanent place of abode and spends more than 183 days of the year in the state
South Carolina	A person domiciled in the state
South Dakota	Not applicable
Tennessee	Not applicable
Texas	Not applicable

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Utah	A person domiciled or who maintains a permanent place of abode and spends more than 183 days of the year in the state
Vermont	A person domiciled or who maintains a permanent place of abode and spends more than 184 days of the year in the state
Virginia	A person domiciled or who maintains a permanent place of abode and spends more than 183 days of the year in the state
Washington	Not applicable
West Virginia	A person domiciled or who maintains a permanent place of abode and spends more than 183 days of the year in the state
Wisconsin	A person who is domiciled in the state
Wyoming	Not applicable

Withholding rule number 2: Reciprocity

If an employee performs services in a state other than the state of residence, you must find out whether the two states have a reciprocal agreement. A reciprocal agreement allows you to withhold only for the state of residence, as opposed to the state in which services are performed. (This is an example of why the rule of thumb is only a starting point.) Accordingly, you would report wages only to the state of residence when completing boxes 16-17 (state wages) of federal Form W-2, Wage and Tax Statement. In most cases, the employee will be required to submit a certificate of non-residence for the state in which he/she works before you can honor the reciprocal agreement.

The general purpose of reciprocity is to make things administratively easier for the employee and employer. The employee will have to file only one state personal income tax return, and the employer will withhold only for the state in which the employee lives. This is especially helpful if you have an employee who performs services in two or more states that have reciprocity with the state of residence. For example, for an employee who lives in the District of Columbia, works in D.C., Virginia, and Maryland, and submits certificates of non-residence for Virginia and Maryland, the employer will need to withhold

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only D.C. income taxes because the three jurisdictions have reciprocal agreements with each other. Without reciprocity, the employer would have to withhold for all three jurisdictions based on the time worked in each one.

On the other hand, the presence of a reciprocal agreement requires you to change the state of withholding and reporting if the employee moves his/her residence from one state to another, even though there has been no change in the state in which the services are performed.

Reciprocal coverage

	RECIPROCAL WITHHOLDING AGREEMENTS BETWEEN STATES
Alabama	None
Alaska	Not applicable
Arizona	None
Arkansas	Residents of Texarkana, Arkansas are exempt from Arkansas state income tax and withholding. Residents of Texarkana, Texas are exempt from Arkansas income tax for wages earned in Texarkana, Arkansas. Agreement does not apply to residents of other cities or other Texas residents working in other parts of Arkansas.
California	None
Colorado	None
Connecticut	None

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Delaware	None
District of Columbia	Reciprocal agreements with Virginia and Maryland. Non-Residents of District of Columbia filling out a Certificate of Nonresidence are not subject to DC withholding unless they voluntarily request the withholding.
Florida	Not applicable
Georgia	None
Hawaii	None
Idaho	None
Illinois	Residents of Iowa, Kentucky, Michigan or Wisconsin are not subject to Illinois income tax withholding for wages earned in Illinois if an Employee's Statement of Non-Residence in Illinois is filed with the employer. The reciprocal agreement with Indiana expired at the end of 1997.
Indiana	Residents of Kentucky, Michigan, Ohio, Pennsylvania, and Wisconsin are not required to have Indiana withholding. The reciprocity is not applicable to county income taxes. The reciprocal agreement with Illinois expired at the end of 1997.
Iowa	Residents of Illinois have Illinois state tax withheld only if the Employee's Statement of Nonresidence in Iowa is filed with the employer.

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Kansas	None
Kentucky	Resident of Illinois, Indiana, Michigan, Ohio, West Virginia, and Wisconsin have only their resident state tax withheld if a Certificate of Nonresidence is filed with the employer. Daily commuters between Kentucky and Virginia are provided reciprocal benefits.
Louisiana	None
Maine	None
Maryland	No Maryland tax is withheld from employees who commute daily to Maryland and reside in the District of Columbia, Pennsylvania, Virginia and West Virginia. A certificate of nonresidence must be filed with the employer.
Massachusetts	None
Michigan	Michigan employers do not withhold Michigan state income tax from residents of Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin. Michigan employees must file certificates of nonresidence to be exempt from withholding. A form is not provided.
Minnesota	Residents of Michigan, North Dakota, and Wisconsin are exempted from Minnesota withholding. A reciprocity Exemption from Minnesota Withholding, Affidavit of Residency is required to certify residency.
Mississippi	None

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Missouri	None
Montana	Montana employers are not required to withhold Montana income tax from residents of North Dakota. A certificate of North Dakota residency is required.
Nebraska	None
Nevada	Not applicable
New Hampshire	Not applicable
New Jersey	Pennsylvania residents filling out a certificate of nonresidence are not subject to New Jersey withholding.
New Mexico	None
New York	None
North Carolina	None
North Dakota	Residents of Minnesota and Montana working in North Dakota are not required to have North Dakota tax withheld. An Affidavit of Residency should be filed with their employer annually.

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Ohio	Ohio has reciprocal agreements with Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. Employee's Statement of Nonresidence in Ohio must be filed with the employer to claim the exemption.
Oklahoma	None
Oregon	None
Pennsylvania	Pennsylvania has reciprocal agreements with Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. An Employee Statement of Non-residence and Authorization to Withhold Other States' Income Tax must be filed with the employer. For New Jersey residents who work in Pennsylvania, the amount of any Pennsylvania local income tax withholding reduces the amount of New Jersey income tax to be withheld from those same wages.
Rhode Island	None
South Carolina	None
South Dakota	Not applicable
Tennessee	Not applicable
Texas	Not applicable

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Utah	None
Vermont	None
Virginia	Full reciprocal agreement with West Virginia but a certificate of nonresidence in Virginia must be filed. Daily commuters from Kentucky, Maryland, and District of Columbia filing a certificate of nonresidence are exempt from Virginia tax. Pennsylvania and West Virginia residents can file the certificate only if subject to the state income tax of the resident state. A form for a credit for income tax paid to another state is available to Arizona, California, District of Columbia, Maryland and New Mexico residents working in Virginia and must be completed annually for the withholding credit.
Washington	Not applicable
West Virginia	Reciprocal agreements are in place with Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. A withholding exemption certificate must be filed with the employer.
Wisconsin	Illinois, Indiana, Kentucky, Michigan and Minnesota residents working within Wisconsin must provide a written statement to their employer certifying the place of residence in order for the employer to not withhold Wisconsin income tax. Minnesota residents are required to fill out the Statement of Minnesota residency annually. Others must fill out Nonresident Employee's Withholding Reciprocity Declaration.
Wyoming	Not applicable

Withholding rule number 3: Resident/non-resident taxation policies

If an employee is a resident of one state but performs services in another, and there is no reciprocal agreement, you must consider the laws of both states. The correct determination of the state of residency (Rule No. 1) is very important in these situations because it tells you which state's laws you may need to consider in addition to those of the state in which the employee works.

The state in which the services are performed will almost always require withholding from non-residents who come into the state to work (withholding only from the wages for services performed in that state). A few states have exceptions to this, usually based on whether the employee works in the state for less than a certain length of time or earns less than a certain amount of money. For example, if a South Carolina resident works in Georgia, Georgia withholding is required if the work is for a period of more than 23 days during a calendar quarter. In general, an employer is always subject to the laws of any state in which it has an employee performing services, whether or not the employer has facility (such as an office, factory, or store) in the state.

The employee's state of residence may also need to be considered even if the employee doesn't work there. If the employer has a business connection, also referred to as "nexus", with the state in which the employee resides, then the employer is subject to the laws of that state even if the employee doesn't work there. For example, if the South Carolina resident works exclusively in Georgia for six months, and if the employer has nexus with South Carolina:

- Georgia withholding is required (the 23-day threshold is exceeded), and
- South Carolina withholding is required, with a credit for income tax withheld for the work-state (in this case, Georgia).

In this situation, the employer must first calculate and withhold Georgia income tax. Then the employer must calculate South Carolina income tax on the same wages and, if the South Carolina tax is greater, withhold an amount equal to the difference between the South Carolina income tax and the Georgia income tax. If the South Carolina tax is less than the Georgia tax, no South Carolina tax need be withheld.

If, however, the employer does not have nexus with South Carolina, then the employer is not subject to the laws of that state and is not required to withhold that state's income tax. However, the employee may have personal income tax liability on these and all other earned wages by virtue of being a resident of that state.

Nexus: Business connection

The word "nexus" literally means "connection." In the withholding context, the employer's concern is whether it has a business connection, or any operations, within a state. If it does, it is subject to the withholding tax laws of that state. This will make the difference in whether an employer has to withhold income tax for an employee's resident-state even though he/she performs no services there.

Nexus is established by having a business presence in a state. An office, store, or factory will create nexus, as will the mere entry of an employee into a state to make a sale or perform a service call. A guide to each state's roles on determining nexus is available by calling the American Institute of Certified Public Accountants at 1-888-777-7077 and asking for product 061057, the State Tax Nexus Checklist Practice Guide. It is free for members of AICPA's tax section, $29 for other AICPA members, and $39 for non-members.

If an employer doesn't have nexus in a state for which one of its employees will have a personal income tax liability, it can choose to establish a withholding account in that state and begin withholding as a courtesy to its employees. However, the payroll department should check with the corporate tax and legal departments of the company first because once you voluntarily register for one tax, you may receive inquiries from the state about other taxes for which you aren't liable, such as sales tax or corporate income tax. Also, in some states, withholding and paying over taxes may thereby establish nexus, making your company open to be sued in the courts of that state.

Employees working in multiple states without reciprocity

If an employee works in multiple states that do not have reciprocity with the employee's state of residence, then the amount of wages earned in each state must be separately examined under withholding Rule No. 3. The first step is to split the wages by state, which may be done by the number of hours worked for an hourly employee or days worked for a salaried employee, or by the sales volume for a commissioned salesperson. The employer will definitely have nexus in the state in which services are performed and will most likely (depending on the state's law) need to withhold the work-state's tax from the wages earned within the state. In addition, if the employer has nexus in the employee's resident-state, it may need to consider withholding for that state from these wages as well.

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There are exceptions to this process under the Amtrak Reauthorization and Improvement Act of 1990. Railroad and motor carrier employees who work in more than one state are subject only to the state and local income tax laws of their state of residence, regardless of where they work. Employees in air transportation are subject to withholding for their state of residence and any other state in which they earn more than half of their wages.

Withholding on residents working out of the state and non-residents table

WITHHOLDING ON RESIDENTS WORKING OUT OF STATE AND NON-RESIDENTS		
STATE	**RESIDENTS -W/H REQUIRED ON SERVICES PERFORMED OUT OF STATE, IF NEXUS**	**NON-RESIDENTS -W/H REQUIRED ON SERVICES PERFORMED IN STATE**
Alabama	Withhold where services are performed, required if no state income tax withholding in work state	Yes
Alaska	Not applicable	Not applicable
Arizona	Withhold where services are performed	Yes, if physically present in state for 60 days or more
Arkansas	Withhold where services are performed, required if no state income tax withholding in work state	Yes but see reciprocity
California	Yes with credit if income tax is withheld for the work state	Yes
Colorado	Withhold where services are performed	Yes except for short work duration with state approval

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Connecticut	Yes with credit if income tax is withheld for the work state	Yes
Delaware	Yes with credit if income tax is withheld for the work state	Yes
District of Columbia	No	No, withhold based on state of residency
Florida	Not applicable	Not applicable
Georgia	Yes with credit if income tax is withheld for the work state	Yes
Hawaii	Yes if regular place of employment is on HI or wages paid from within state	Yes, unless paid from another state and expected to work in state less than 60 days
Idaho	No	Yes
Illinois	Yes	Yes but see reciprocity
Indiana	Employers are not required to withhold	Yes but see reciprocity
Iowa	Yes with credit if income tax is withheld for the work state	Yes unless a Form 44-017 is issued or Form 44-0016 is completed for Illinois residents

Kansas	Yes with credit if income tax is withheld for work state	Yes
Kentucky	Voluntary for employers	Yes but see reciprocity
Louisiana	No, unless not state income tax withholding in work state	Yes
Maine	Yes	Yes
Maryland	Yes with credit if income tax is withheld for the work state	Yes but see reciprocity
Massachusetts	Yes with credit if income tax is withheld for the work state	Yes
Michigan	Yes	Yes but see reciprocity
Minnesota	Yes with credit if income tax is withheld for work state	Yes but see reciprocity
Mississippi	Yes with credit if income tax is withheld for work state	Yes
Missouri	Yes except if 50% or more of work is out of state and have completed Form MO W-4C	Yes

Montana	Yes	Yes but see reciprocity
Nebraska	Yes with credit if income tax is withheld for work state	Yes
Nevada	Not applicable	Not applicable
New Hampshire	Not applicable	Not applicable
New Jersey	Yes with credit if income tax is withheld for work state	Yes but see reciprocity
New Mexico	Yes	Yes except if work is for 15 or less days in the state
New York	Yes with credit if income tax is withheld for work state	Yes
North Carolina	Yes but only withhold where services performed unless no state income tax withholding	Yes
North Dakota	Yes but only withhold where services performed unless no state income tax withholding in work state	Yes but see reciprocity
Ohio	Yes but only withhold where services performed unless no state income tax withholding in work state	Yes but see reciprocity
Oklahoma		

	Yes but only withhold where services performed unless no state income tax withholding in work state	Yes except for earnings of less than $300.00 in calendar quarter
Oregon	Yes. If employer does not have nexus, the state requests withholding for the convenience of employee	Yes
Pennsylvania	Yes but only withhold where services performed unless no state income tax withholding	Yes but see reciprocity
Rhode Island	Yes with credit if income tax is withheld for work state	Yes
South Carolina	Yes with credit if income tax is withheld for work state	Yes except if the employment is only occasional
South Dakota	Not applicable	
Tennessee	Not applicable	Not applicable
Texas	Not applicable	Not applicable
Utah	Yes with credit if income tax is withheld for work state	Yes, unless employer doing business in state less then 60 day in a year and has received certificate from Utah
Vermont	Permitted - not required	Yes

Virginia	Yes but only withhold where services performed unless no state income tax withholding	Yes but see reciprocity
Washington	Not applicable	Not applicable
West Virginia	Yes	Yes but see reciprocity
Wisconsin	Yes	Yes except if earning are less than $1500 a year and see reciprocity
Wyoming	Not applicable	Not applicable

State taxation and withholding on benefits table

STATE TAXATION AND WITHHOLDING ON BENEFITS			
State	Group Term Life Over $50,000	Moving Expenses	Educational Assistance
South Carolina	X	X	X

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South Dakota	Not applicable		
Tennessee	Not applicable		
Texas	Not applicable		
Utah	X	X	X
Vermont	X	X	X
Virginia	X	X	X
Washington	Not applicable		
West Virginia	X	X	Non job related is taxable
Wisconsin	X	X	X
Wyoming	Not applicable		

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State income taxes: Special considerations for certain benefits

New Jersey and Pennsylvania

Benefit	**NJ**	**PA**
Sec. 125 (cafeteria plan)	taxable – 1	fed – 2
Sec. 129 (dependent care)	taxable	taxable, unless it is an employer provided dependent care facility
GTL > $50K	fed	non-taxable
401(k)	fed	taxable
Moving expenses	fed	3
Educational assistance	4	-- non-job related: taxable
		-- job-related: excludable only if education is required by either the law or the employer
Personal use of a company car	fed	non-taxable
Transportation fringe	5	6
Partial-wage sick-pay from employer or third party sick-pay	non-taxable	non-taxable

<u>Notes for above</u>

Fed follows federal

1. Deductions from employee pay to pay for §125 benefits do not decrease wages subject to withholding. If the employer gives the employee an amount to take as cash or to spend on benefits, the entire amount is taxable, whether taken in cash or spent on benefits. Exception to either case: if the employer requires a minimum amount of coverage, employee expenditure for this will decrease taxable wages.

2. Non-taxable if used for coverage for hospitalization, sickness, disability, death, supplemental unemployment benefits, or strike benefits.

3. Moving expenses are exempt from withholding if within the categories of (a) transportation of household goods and effects and (b) travel, including lodging and meals, to the new residence, if: (1) expenses equal or exceed reimbursement; (2) the move is from one official work station to another official work station of the same employer; (3) the move is at the request or direction of the employer; and (41) the new workplace is at least 50 miles further away from the employee's residence than the old workplace was located. All moving expense reimbursements are to be included as state wages, and all but thc above are subject to withholding. Expenses meeting the above requirements are to be claimed as a deduction on the employee's Schedule UE when filing the personal income tax return, so as to avoid taxability.

4. Excludable if it meets NJ definition of job related:

    i. Must not be a minimum requirement for employment

    ii. Must (at least one of the below):

1. Maintain or improve skills required by the employee is his/her trade, business, or employment,

2. Meet the express requirements of the employer (other than as in "a." above), or

3. Meet the requirements of applicable law or regulations imposed as a condition of the retention of the employee's salary status or employment.

5. NJ disregards federal exclusion, but has its own wage exclusion for amounts paid to employees specifically for using alternative means of commuting (such as public transportation, carpools, or vanpools). Employee expenses must be substantiated. Employer may give up to $1,105 (1998 amount; 1999 amount will be announced in the fall), may excluded it from NJ taxable wages, and must report it in W-2 box 14.

6. Excludable if the property or service is owned or under lease by the employer (such as a company-owned parking lot or a company-owned van used to pick up employees and bring them to the office. Transit benefits are taxable.)

Massachusetts

- Wages and benefits subject to withholding: follows the current federal Internal Revenue Code

- Wages and benefits that must be included in wages reported to state: follows IRC of 1/I/98 (used to be IRC as of 1/1/88; Technical Information Releases 98-8 and 98-15)

So, for 1999, all wages and benefits are reported to Massachusetts and subject to Massachusetts withholding to the same extent that they are reported and subject to withholding for federal purposes, EXCEPT: VANPOOLING AND TRANSIT PASS BENEFITS. Transit passes or vanpooling benefits may be given out (or the employer may reimburse actual documented expenses) up to a combined monthly maximum of $65, and this will not be subject to wage inclusion or withholding for either federal or Massachusetts purposes. However, if the employer gives the employee a choice between receiving the benefit or unsubstantiated cash, the value of the choice, while not subject to Massachusetts withholding must be reported as Massachusetts wages.

This is because the federal Transportation Equity Act (which made the "choice" described above exempt from federal wage inclusion or withholding) was signed on 6/6/98, after the "IRC 1/1/98" date that Massachusetts chose to follow for purposes of wage inclusion. This same discrepancy will occur if there are any other federal changes.

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