Remote work can complicate your state taxes

Working remotely may broaden your job options and make daily life easier. But working from a different state than your employer — or spending part of the year working from a second home in a different state than where you normally reside — can create state tax issues. Because the rules vary by state, work arrangements that cross state lines warrant a closer look.

Convenience-of-the-employer rule

If your employer is located in a state that applies a convenience-of-the-employer rule and you work remotely from a different state, you may need to file income tax returns in more than one state. Under such a rule, days worked from another state for your own convenience (rather than for the convenience of your employer) may be treated as days worked in your employer's state.

This might occur if, say, you *choose* to work from home across the state border from the city where your employer has an office. Your employer *doesn't require* you to work remotely, but you prefer to do so to save yourself the time and cost of commuting. So your employer *allows* you to work from home for *your* convenience.

A state with an income tax generally can tax all income of its residents and income earned within its borders by nonresidents. So if your employer's state considers your days worked remotely to be days worked in that state because of the convenience-of-the-employer rule, you could be subject to taxes and filing requirements in both your employer's state and your own.

Domicile and residency

Your state tax obligations can also be affected if you spend enough time working in two states that both consider you to be a resident. Residency rules vary, but many states consider your domicile, the days you spend in the state and whether you maintain a home there. Your domicile is generally your “true, fixed, permanent home” — the place you intend to return to. Some states also will treat you as a resident if you maintain a home and spend a specified number of days there.

It’s possible to be domiciled in one state and be a resident of another. For example, let’s say you have a permanent home in one state where your job is located and a vacation home in another state. Your employer allows employees to work remotely, so now you spend more than 200 days per year living and working at your vacation home.

The state where your permanent home is located considers you to be domiciled there, but the state where your vacation home is located might view you as a resident. So if both states have an income tax, you may be subject to taxes on the same income in both states. A credit for taxes paid to another state may reduce or eliminate double taxation, depending on the states’ rules. But your tax bill may still increase if, for example, the vacation home state’s income tax rate is higher than your permanent home state’s rate.

Employer obligations

From an employer’s perspective, allowing employees to work remotely may create obligations to withhold and remit income and payroll taxes in multiple states. (These requirements can also affect how much state income tax is withheld from an employee’s pay.)

Plus, having employees in other states may be sufficient to establish “nexus” with those states, potentially triggering liability for their income, franchise, gross receipts or sales and use tax. In addition to the expense of tax reporting in multiple states, this may increase an employer’s overall tax liability. There are other complications as well.

As a result, some employers may not allow remote employees to work for extended periods from other states. They also might prohibit remote employees from moving to a state where the employer doesn’t already have employees or nexus.

Review your arrangement

If you’re a remote employee, before changing where you work, check with your employer to make sure it will allow you to work from that state. Also find out how a move or extended stay could affect your state taxes and withholding. If you’ve already worked from more than one state during 2026, consider addressing the potential tax consequences before year end. Contact us to review your work arrangement and determine whether you may have tax obligations in more than one state.