

# Telework During the COVID-19 Pandemic

Governor Tom Wolf issued a Proclamation of Disaster Emergency on March 6, 2020, for the COVID-19 pandemic. The Department of Revenue has issued temporary guidance relating to telework and related tax implications. This guidance will be in effect until the earlier of June 30, 2021, or 90 days after the Proclamation of Disaster Emergency in Pennsylvania is lifted (“End Date”). As of that End Date, the guidance below is rescinded and all prior tax rules are applicable.

## Employees

In summary, if an employee is working from home temporarily due to the COVID-19 pandemic, the department does not consider that as a change to the sourcing of the employee’s compensation. For non-residents who were working in Pennsylvania before the pandemic, their compensation would remain Pennsylvania sourced income for all tax purposes, including PA-40 reporting, employer withholding and three-factor business income apportionment purposes for S Corporations, partnerships and individuals. Conversely, for Pennsylvania residents who were working out-of-state before the pandemic, their compensation would remain sourced to the other state and they would still be able to claim a resident credit for tax paid to the other state on the compensation.

## Employers

For a Pennsylvania employer with a non-resident employee temporarily working from home due to the COVID-19 pandemic in a state that doesn’t have a reciprocity agreement with Pennsylvania, the department advises that the employee’s compensation remains Pennsylvania sourced, and the employer is required to withhold on the compensation.

## Nexus for Corporate Net Income Tax/Sales and Use Tax

As a result of the COVID-19 pandemic causing people to temporarily work from home, the department will not seek to impose Corporate Net Income Tax (CNIT) nexus or Sales and Use Tax (SUT) nexus solely on the basis of this temporary activity.