State of Wisconsin

Department of Administration

Out-of-State Taxes Job Aid

Version 1.6

Version History

Version	Date	Editor	Description
1.0	07/13/22	Matt Olsen	Initial release
1.1	07/28/22	Matt Olsen	Added scenario 5
1.2	10/28/22	Matt Olsen	Updated state setup and additional resources
1.3	05/26/23	Matt Olsen	Added local tax section and updated query instructions
1.4	08/04/23	Matt Olsen	Correction to Tax Validation query references
1.5	05/02/24	Matt Olsen	Added out-of-state remote work section and updated reciprocity state scenarios
1.6	01/17/25	Matt Olsen	Updated multiple sections for new state setup

Role: *Agency Payroll Specialist*

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OVERVIEW

Agency Payroll is responsible for reviewing employees that work and/or live in a state other than WI. Depending on each employee's situation, Agency Payroll may need to manually update tax fields in STAR HCM to ensure taxable grosses and withholding are applied to the correct state.

This job aid is designed to assist with the review and update process for new hires and current employees with an out-of-state residence and/or work location. If tax updates are not entered timely due to employer error, notify Central Payroll to determine if year-to-date tax corrections are necessary.

Employees may update their own state taxes if submitting a WT-4 for WI tax withholding. All other states require a paper form submitted to Agency Payroll (See Out of State Employee Set Up - Agency Guide).

OUT-OF-STATE REMOTE WORK

If a new hire or current employee requests to work in a state other than WI, confirm with Agency HR that they have approved the out of state telework request. Once the request is verified, follow the next steps in addition to other steps that should be done for remote work to ensure all documentation and system setup is completed.

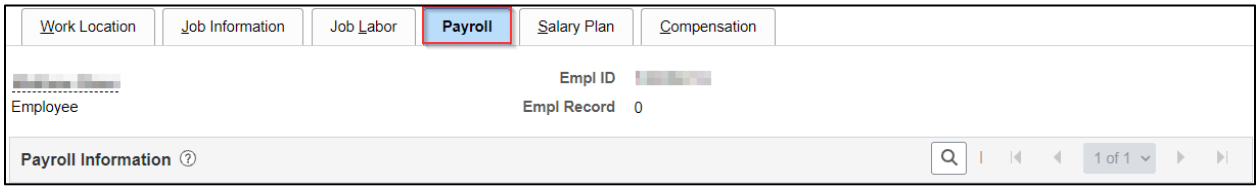
1. Notify employee to fill out and send a copy of Agency Request to Central Payroll for Non-Wisconsin Employment (DOA-2770) to you.

2. Obtain the appropriate Agency HR and Appointing Authority signatures, then submit the completed DOA-2770 to Central Payroll for review.
3. Central Payroll will notify you if additional steps need to be taken when the employee is working remotely in a state that is not set up in STAR HCM.
4. If employee is working remotely in a state that is set up in STAR HCM, follow the steps outlined in the Review Work Arrangement, Review Home Address, Update Tax Data, Update Tax Distribution, Out-of-State Tax Scenarios and Review Local Taxes sections.

NOTE: If an employee is in a hybrid remote/headquarter telework arrangement and at least 50% of work is performed in WI, verify the Tax Residence and Tax Distribution states are set to WI as all taxes are reported to that state.

REVIEW WORK ARRANGEMENT

1. Navigate to **Job Data** page.
    a. **Navigation:** Workforce Administrator Homepage > Payroll Dashboard > Payroll Processing Tile > Employee Data Folder > Job Data.
    b. Enter at least one search criteria and click **Search**.
2. Click on **Payroll** tab.



3. Review **Tax Location Code** field to verify employee's work location.
    a. HEADQTR – Employee only works out of headquarters location.
    b. MIXED – Employee works partially remote and at headquarters location.
    c. REMOTE – Employee only works remote at home address.

NOTE: If the **Tax Location Code** does not match employee's work arrangement or is an obsolete code, notify agency HR to add a **Job Data** row using **Data Change / Update Tax Location**. This will create a default WI **Tax Distribution** row. Change back to the appropriate state if necessary.

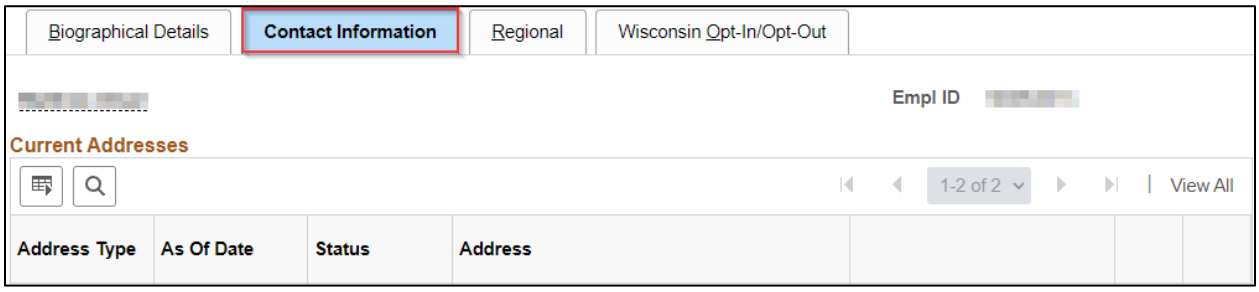
REVIEW HOME ADDRESS

1. Navigate to **Modify a Person** page.

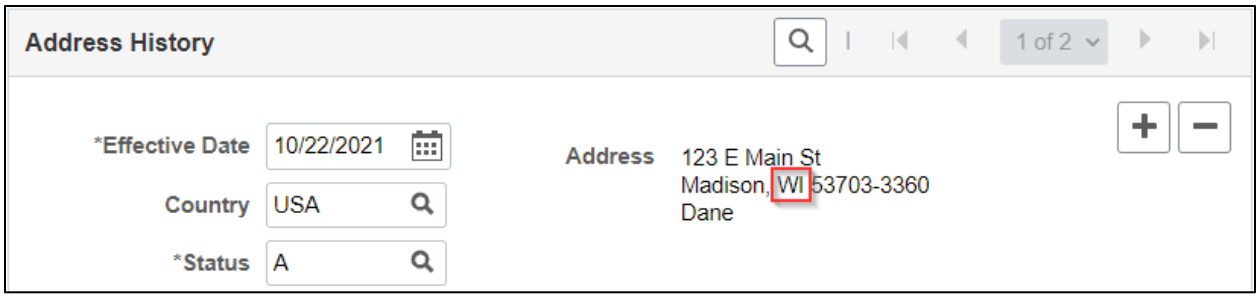
a. **Navigation:** Workforce Administrator Homepage > Payroll Dashboard > Payroll Processing Tile > Employee Data Folder > Modify a Person.

b. Enter at least one search criteria and click **Search**.

2. Click on **Contact Information** tab.



3. Review home address to verify employee's legal residence.



NOTE: If the home address is not up to date, contact employee to update via ESS or HR to update on this page. If the home address is not the legal residence, confirm the legal residence with the employee.

REVIEW TAX VALIDATION QUERY

The tax validation query is designed to be run biweekly by Agency Payroll to review employees with tax, home and/or work data that correspond with a state other than Wisconsin for potential corrections.

1. Navigate to **Query Viewer** page.

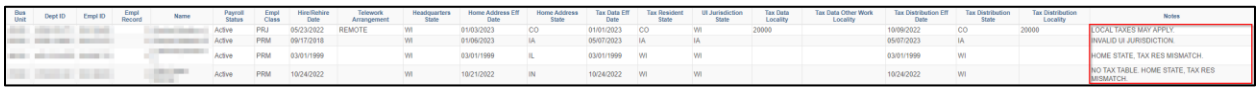
   a. **Navigation:** NavBar > Reporting Tools > Query Viewer.

   b. Search for the public query: *WI_PY_TAX_AUDIT_STATE*.

   c. Enter any of the optional prompts to narrow down data by **Business Unit**, **Department ID and/or Home Address** state.

   d. Click **View Results**.

2. Validate warning messages in the **Notes** column:



   a. NO TAX TABLE – Employee's **Home Address** state is a state that has no tax table set up in the system. If permanently working in this state, refer to Scenario 10 in the *Out-of-state Tax Scenarios* section.

b. HOME STATE, TAX RES MISMATCH – Employee's **Home Address** state and **Tax Resident** state do not match. These two should match unless the home address is not the employee's legal residence, or the employee lives in a reciprocal state and works in WI with no W-220 filed. Refer to the *Out-of-state Tax Scenarios* section if updates are needed.

c. INVALID UI JURISDICTION – Employee's **UI Jurisdiction** state is not WI. This should be WI regardless of the legal residence and work location.

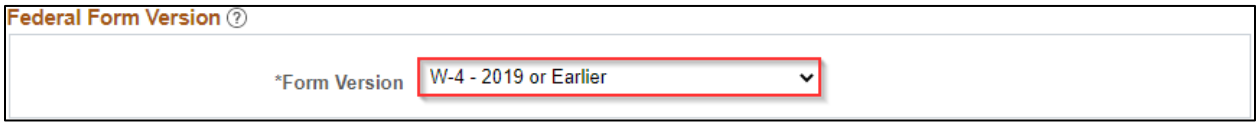
d. LOCAL TAXES MAY APPLY – Employee's Home Address state is a state that has local tax jurisdictions. Refer *to Review Local Taxes* section if the employee is working remotely at their home address.

3. Contact employee to verify legal residence, work location and telework arrangement if necessary. Provide appropriate tax form(s) to complete.
4. **If Telework Arrangement** is blank, notify agency HR to update the **Tax Location Code** in **Job Data** to 'HEADQTR', 'MIXED', or 'REMOTE' using **Data Change / Update Tax Location**.
5. Update **Home Address**, **Tax Resident** and/or **Tax Distribution** if necessary.

UPDATE TAX DATA

1. Navigate to **Update Employee Tax Data** page.
   a. **Navigation:** Workforce Administrator Homepage > Payroll Dashboard > Payroll Processing Tile > Pay Data Folder > Update Employee Tax Data.
   b. Enter at least one search criteria and click **Search**.
2. Click on **Plus Sign (+)** on **Federal Tax Data** tab to add a new effective dated row.

NOTE: A new effective dated row must be added on Federal Tax Data page for a Federal and/or State tax change. If 2019 or Earlier W-4 is the form version in the previous row, Federal Tax Data will default to 2020 or Later. Make sure to change back to 2019 or Earlier if only changing State Tax Data.



3. **Effective Date** defaults to today's date. Select date for the new entry using the first day of the pay period of the change or the next available day in the pay period if needed. Do not use a retroactive date for the effective date.

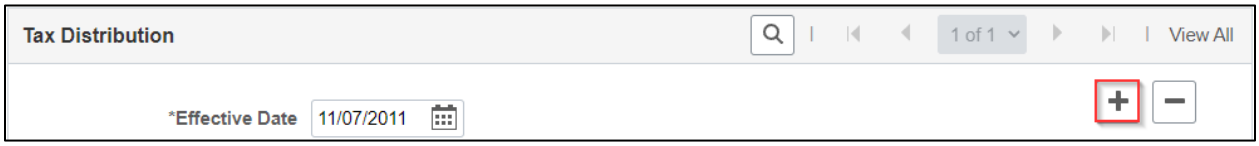
4. Click on **State Tax Data** tab.

5. Update **Resident** and/or **UI Jurisdiction** based on the applicable scenario (see *Out-of-state Tax Scenarios* section). ***UI Jurisdiction should be WI regardless of the work location.***
6. When **Resident**, **UI Jurisdiction** and **State Withholding Elements** are updated, click **Save**.

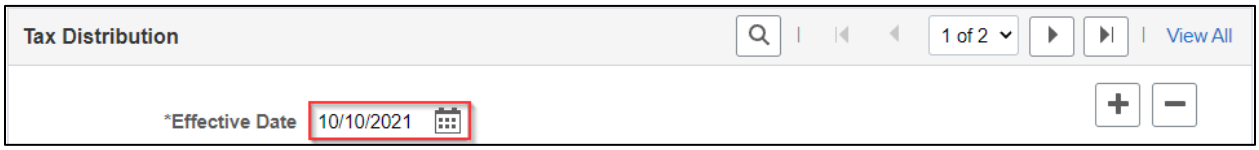
NOTE: If employee's tax Resident box is changed and contains a Special Withholding Status other than None, make sure to set to None and default Tax Status/Withholding Allowances to S and 0, respectively.

UPDATE TAX DISTRIBUTION

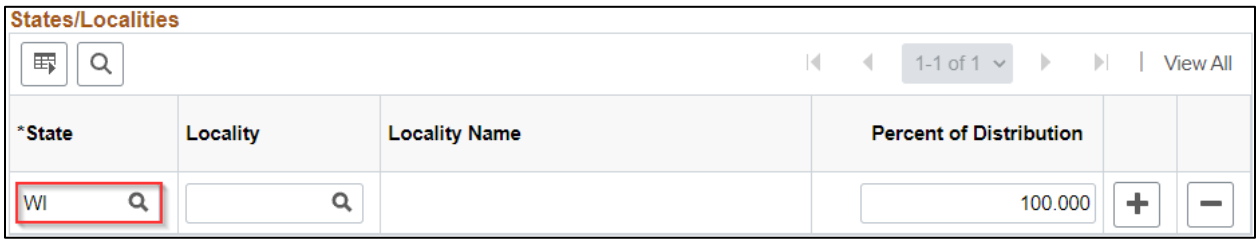
1. Navigate to **Update Employee Tax Distribution** page.
   a. **Navigation:** Workforce Administrator Homepage > Payroll Dashboard > Payroll Processing Tile > Pay Data Folder > Update Tax Distribution.
   b. Enter at least one search criteria and click **Search**.
2. Click on **Plus Sign (+)** in **Tax Distribution** section to add a new effective dated row.



3. **Effective Date** defaults to today's date. Select date for the new entry using the first day of the pay period of the change. Do not use a retroactive date for the effective date. Create a Payroll STAR Ticket to request correction to an existing row if necessary.



4. Enter appropriate state and keep **Percent of Distribution** as *100.000*.



5. When **State** is updated, click **Save**.

OUT-OF-STATE TAX SCENARIOS

The following examples are designed to cover the most common out-of-state tax scenarios once the employee's residence and work location are confirmed. Refer to the chart below for reciprocity rules and tax tables for each state. Only states with tax tables in STAR HCM can be selected in **Tax Data**.

States	Reciprocity Agreement	Tax Table in STAR HCM
IL, IN, MI, and KY	YES	YES
AZ, CO, CT, DE, FL, GA, IA, KS, MA, MD, MN, MO, NC, NJ, NV, NY, PA, SC, TX, UT, VA, DC	NO	YES
All other states	NO	NO

NOTE: For additional guidance on out-of-state employee tax setup, refer to the Out of State Employee Set Up - Agency Guide.

Summary of scenarios:

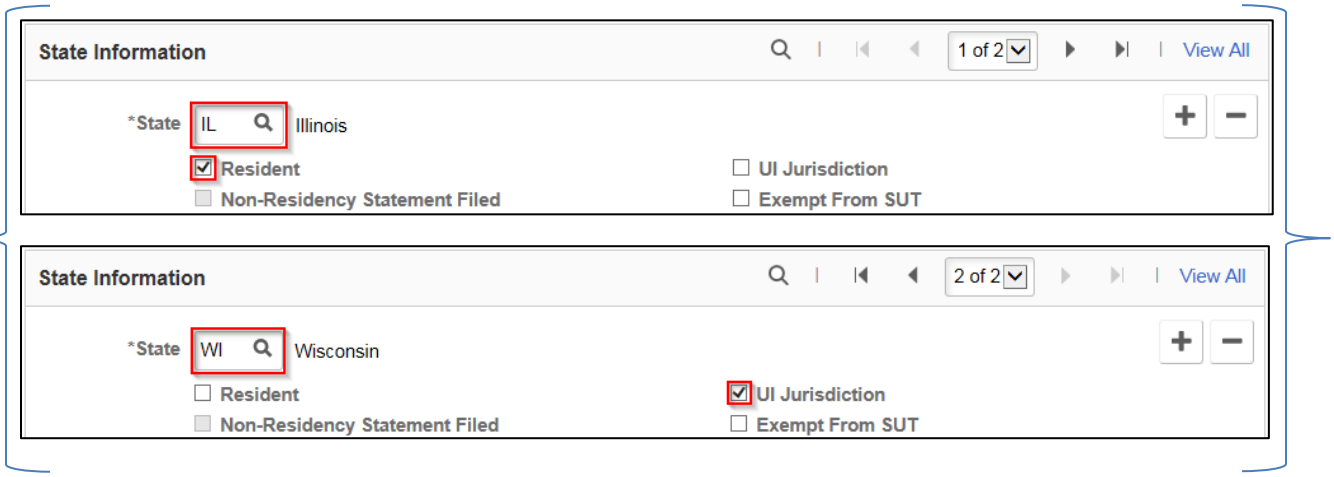
Scenario	Description
Scenario 1	Employee's work location and legal residence are in reciprocal state (e.g. IL, MI).
Scenario 2	Employee's work location is in WI and legal residence is in reciprocal state (e.g. IL, MI). Employee submits an optional W-220 and IL-W-4 to have IL taxes withheld.
Scenario 3	Employee's work location is in WI and legal residence is in MN.
Scenario 4	Employee's work location is in WI and legal residence is in a non-reciprocal state (e.g. IA) other than MN with a tax table.
Scenario 5	Employee's work location is in WI and legal residence is in a non-reciprocal state (e.g. TN) with no tax table.
Scenario 6	Employee's work location is in reciprocal or non-reciprocal state (e.g. IL, MN) and legal residence is in WI.
Scenario 7	Employee's work location and legal residence are in non-reciprocal state (e.g. IA, MN).

Scenario 8	Current employee moves from reciprocal or non-reciprocal state to WI - taxes are being withheld for the other state (e.g. MI, MN). Their updated work location and legal residence are in WI.
Scenario 9	New hire or rehired employee has incorrect tax Resident box load to State Tax Data because of a previous home address in Modify a Person. Their updated work location and legal residence are WI.
Scenario 10	Employee's permanent work location and legal residence are in reciprocal or non-reciprocal state (e.g. NY, WA) that does not have a tax table set up in STAR HCM.

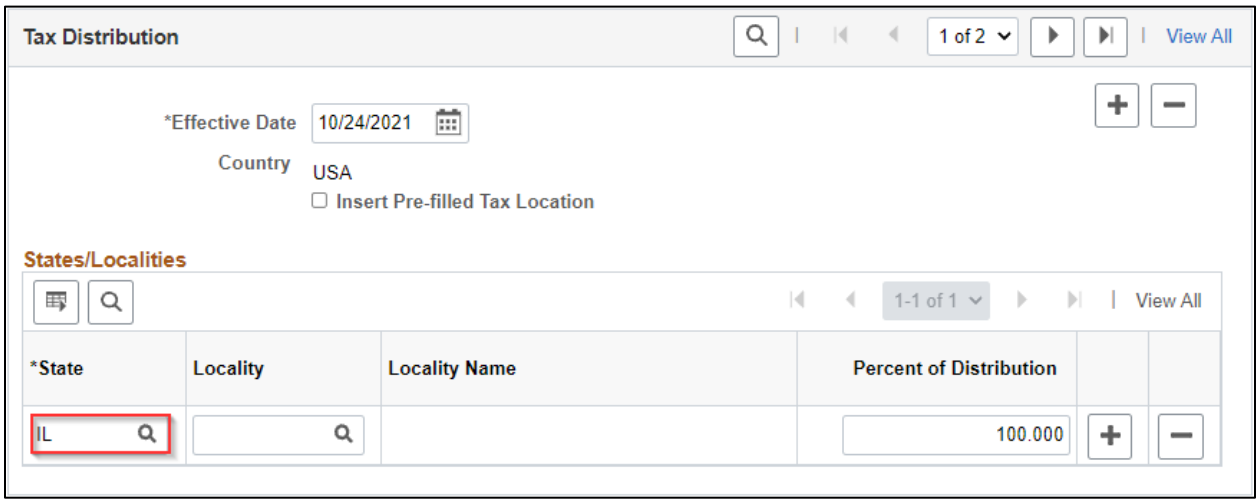
Scenario 1: Employee's work location and legal residence are in reciprocal state (e.g. IL, MI).

1. Follow Steps 1-3 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's residence (Resident) and work location (UI Jurisdiction – always WI). Check the respective box under each state.



3. Follow Steps 1-3 in *Update Tax Distribution* section, then update **Tax Distribution** state to match employee's work location of IL.

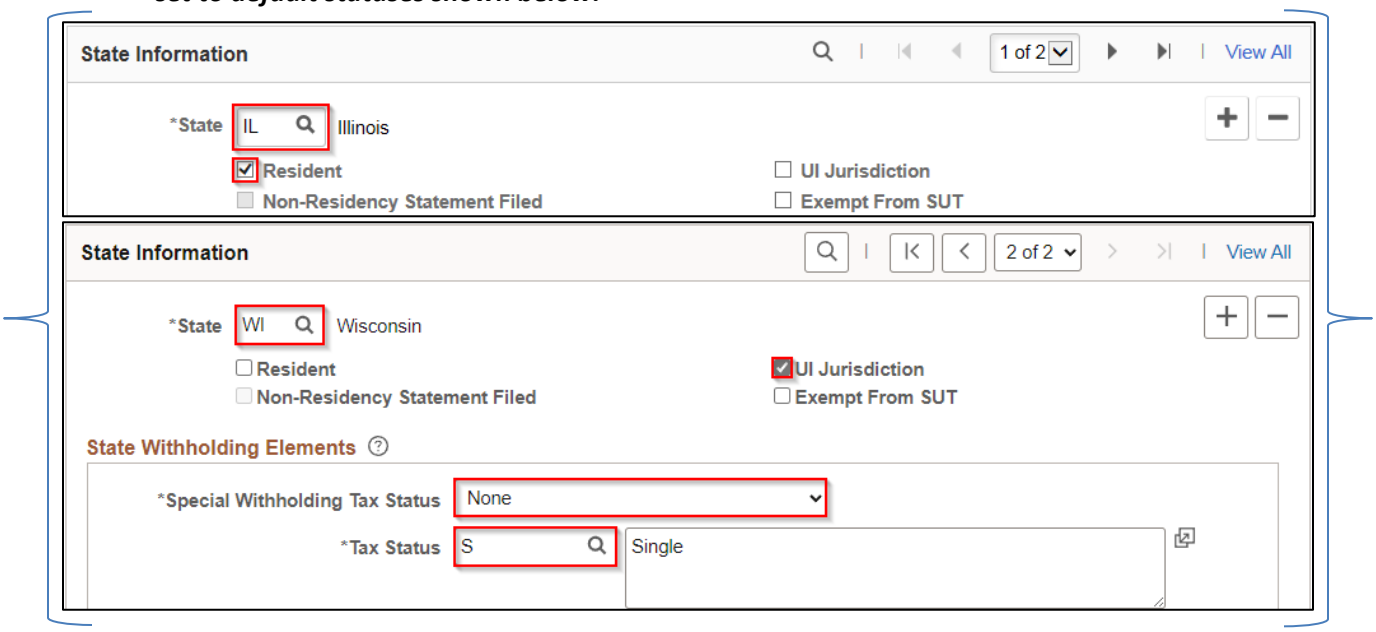


4. Provide employee with the corresponding state's tax form to complete for entry by Agency Payroll.

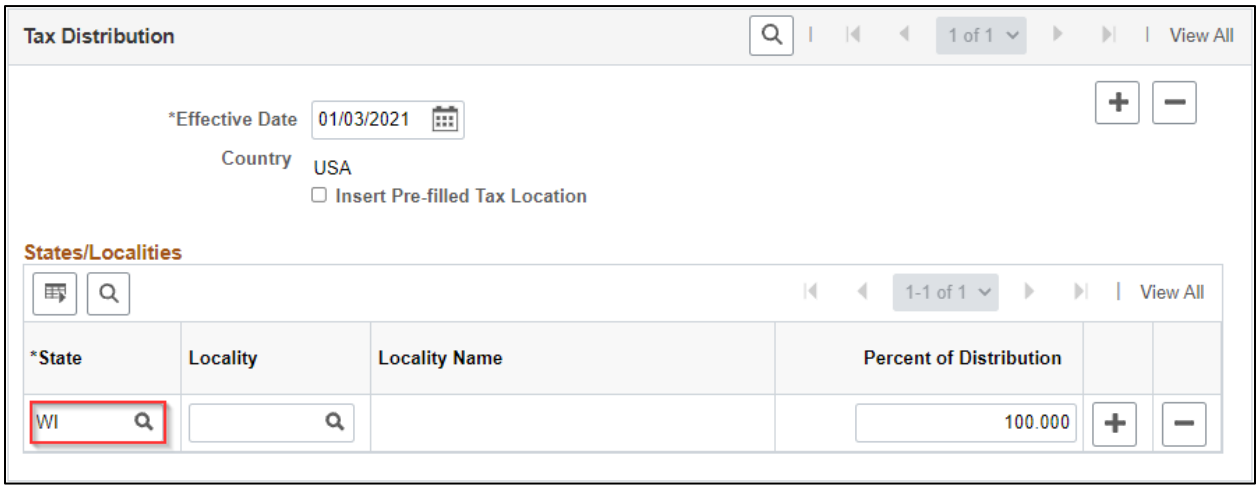
Scenario 2: Employee's work location is in WI and legal residence is in reciprocal state (e.g. IL, MI). Employee submits an optional W-220 and IL-W-4 to have IL taxes withheld.

1. Follow Steps 1-4 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's residence (Resident) and work location (UI Jurisdiction – always WI). Check the respective box under each state. ***Make sure the WI UI Jurisdiction row is set to default statuses shown below.***



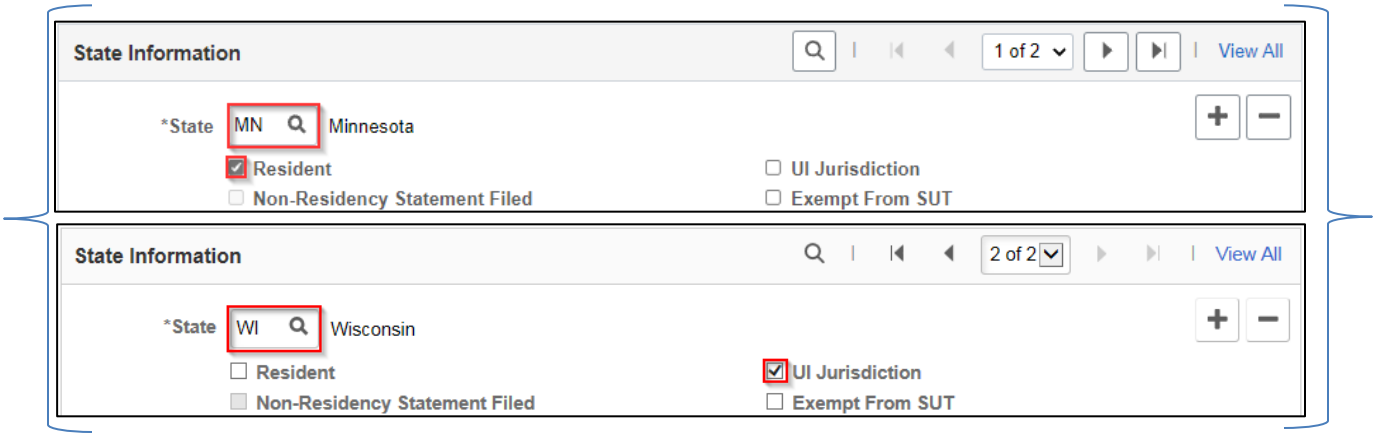
3. Verify **Tax Distribution** state matches work location of WI.



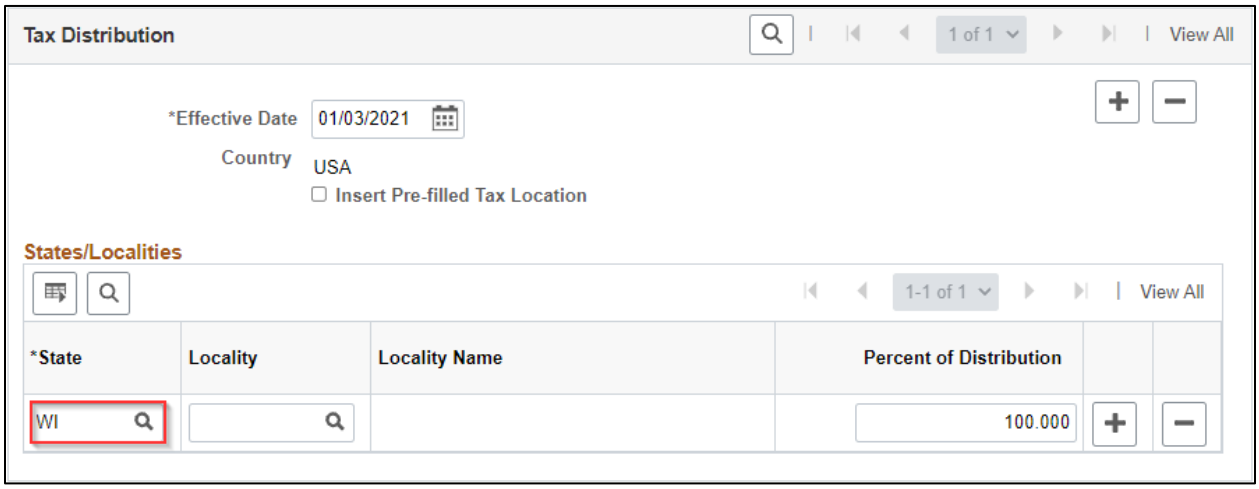
Scenario 3: Employee's work location is in WI and legal residence is in MN.

1. Follow Steps 1-3 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's residence (Resident) and work location (UI Jurisdiction – always WI). Check the respective box under each state.



3. Verify **Tax Distribution** state matches work location of WI.

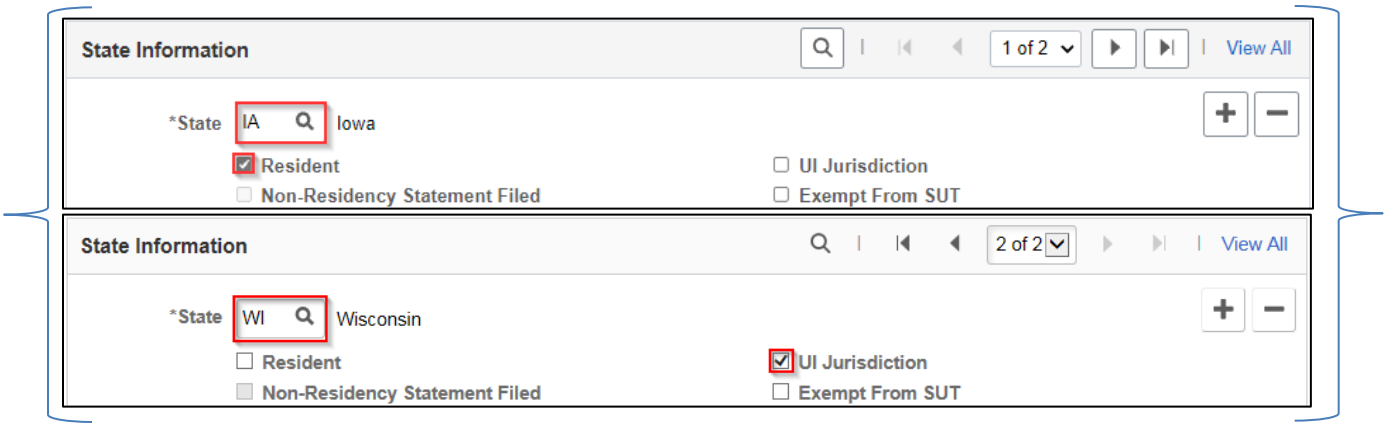


4. Provide employee with a copy of the Form W-4MN to update their MN marital status and allowances. Notify employee to submit a WT-4 in ESS to update their WI marital status and allowances.

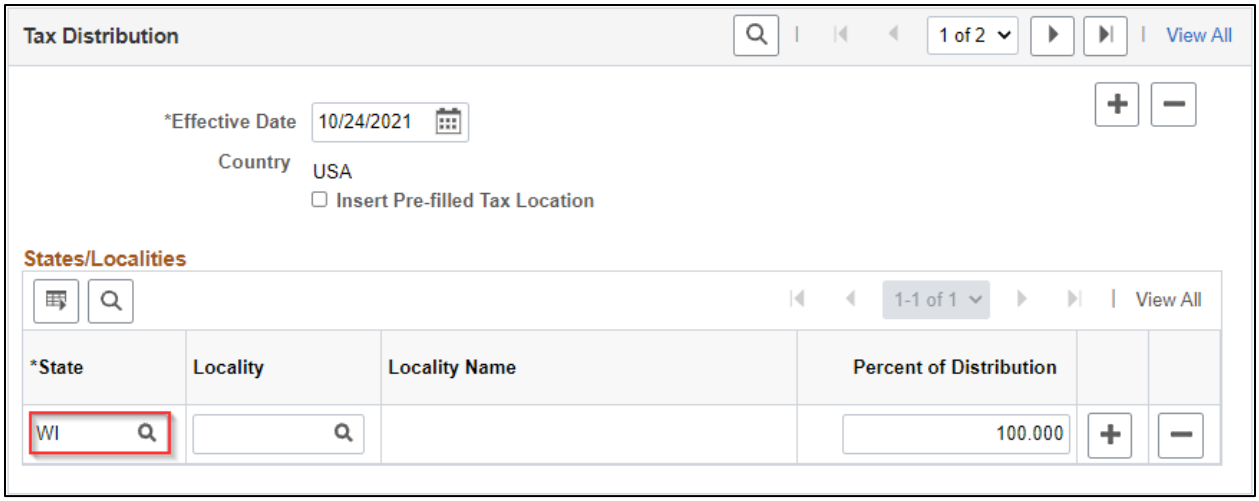
Scenario 4: Employee's work location is in WI and legal residence is in a non-reciprocal state (e.g. IA) other than MN with a tax table.

1. Follow Steps 1-3 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's residence (Resident) and work location (UI Jurisdiction – always WI). Check the respective box under each state.



3. Verify **Tax Distribution** state is set to WI. If not, follow Steps 1-3 in *Update Tax Distribution* section, then update **Tax Distribution** state to match employee's work location of WI.



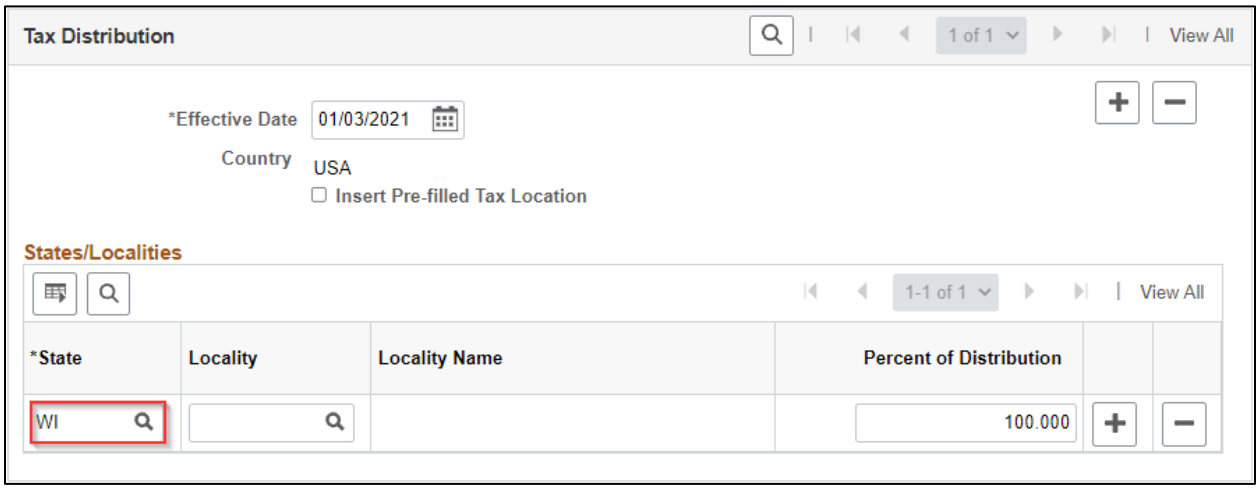
4. Notify employee to submit a WT-4 in ESS to update their marital status and/or allowances.

Scenario 5: Employee's work location is in WI and legal residence is in a non-reciprocal state (e.g. TN) with no tax table.

1. Follow Steps 1-3 in *Update Tax Data* section, then click Minus Sign (-) on **State Information** tab to remove the incorrect state.

2. Update remaining row to reflect employee's tax residence (Resident) and work location (UI Jurisdiction) for reporting taxes to WI. Check both boxes in the WI row.

3. Verify **Tax Distribution** state matches work location of WI.

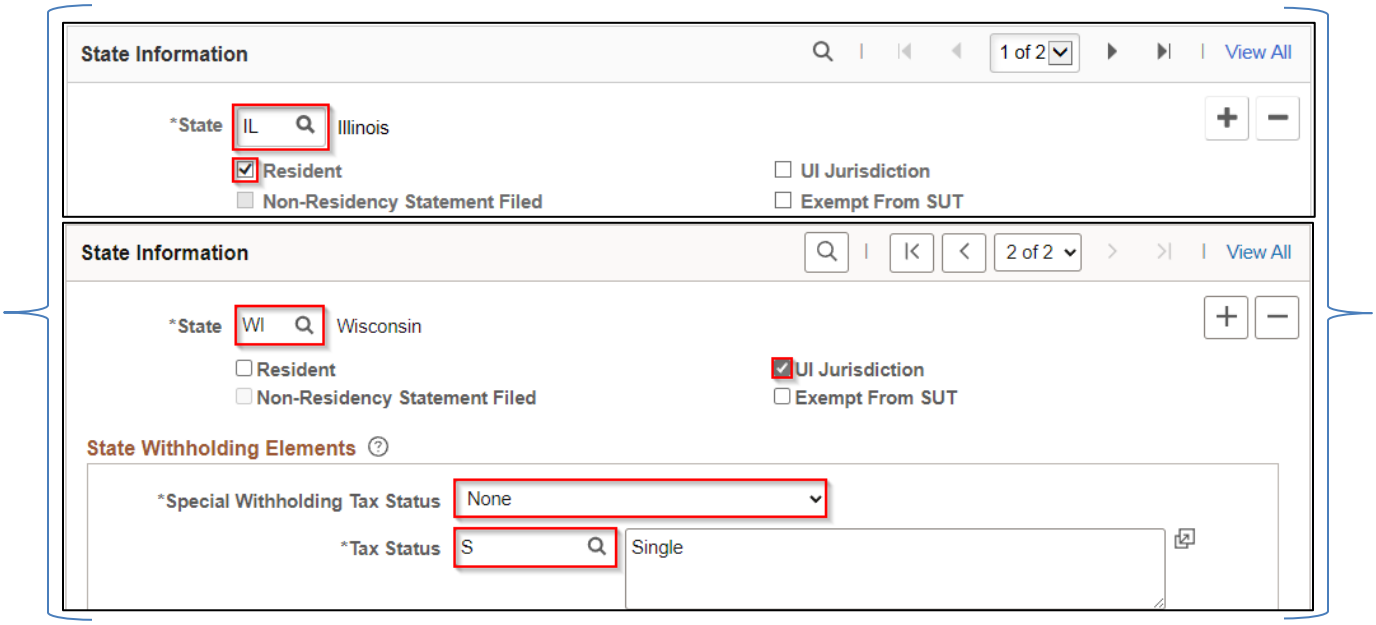


4. Notify employee to submit a WT-4 in ESS to update their marital status and/or allowances.

Scenario 6: Employee's work location is in reciprocal or non-reciprocal state (e.g. IL, MN) and legal residence is in WI.

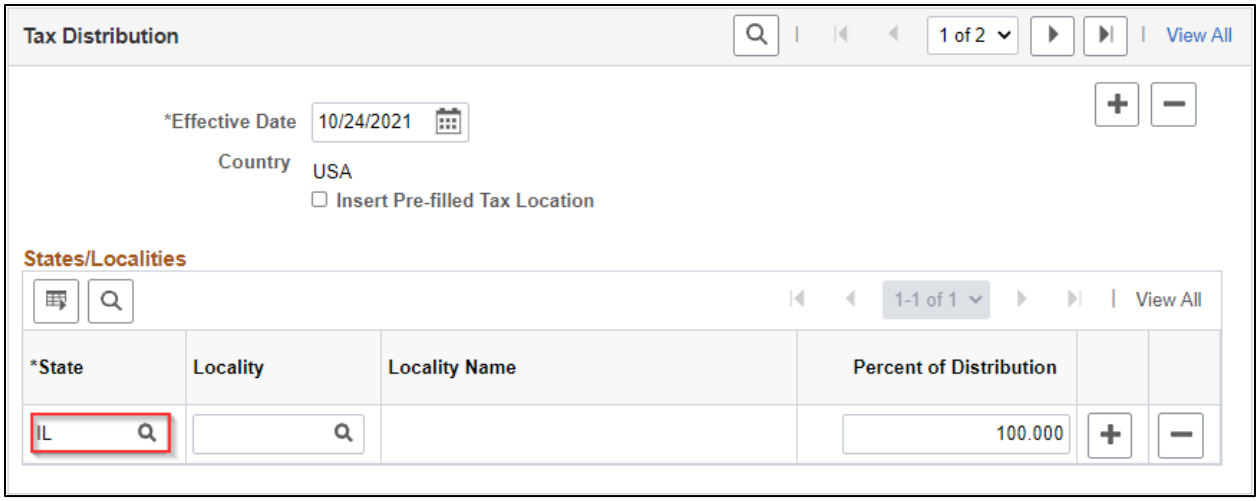
1. Follow Steps 1-3 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's work location and residence. The **Resident** box will not match the employee's residence in this scenario but is required to withhold taxes correctly.



NOTE: If work location is in a reciprocal state, make sure to set the Special Withholding Tax Status to **None** and Tax Status to **S** in the WI UI Jurisdiction row.

3. Follow Steps 1-3 in *Update Tax Distribution* section, then update **Tax Distribution** state to match employee's work location of IL.

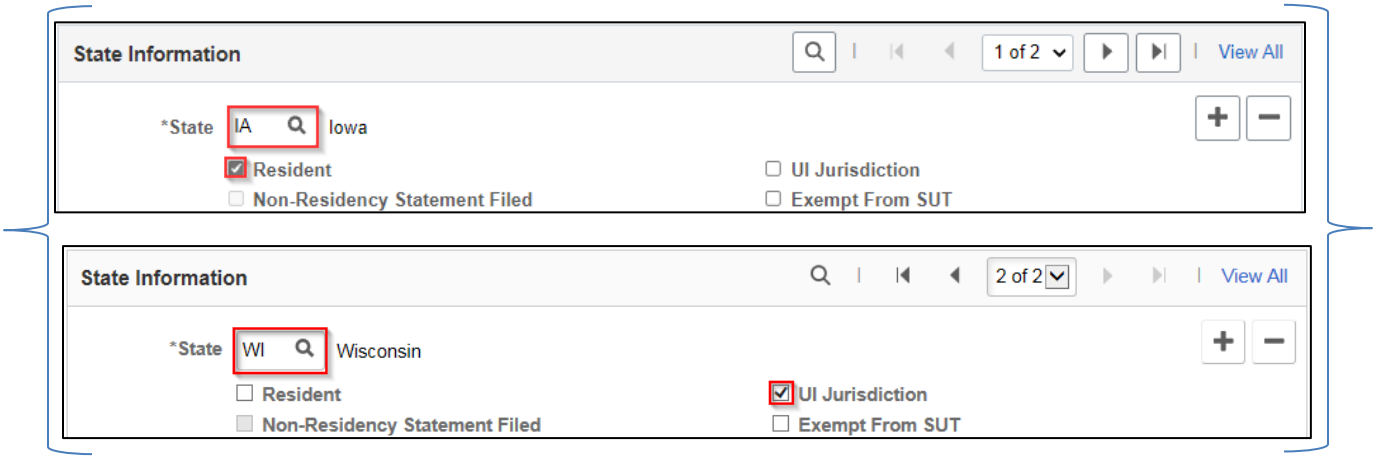


4. Provide employee with the corresponding state's tax form to complete for entry by Agency Payroll.

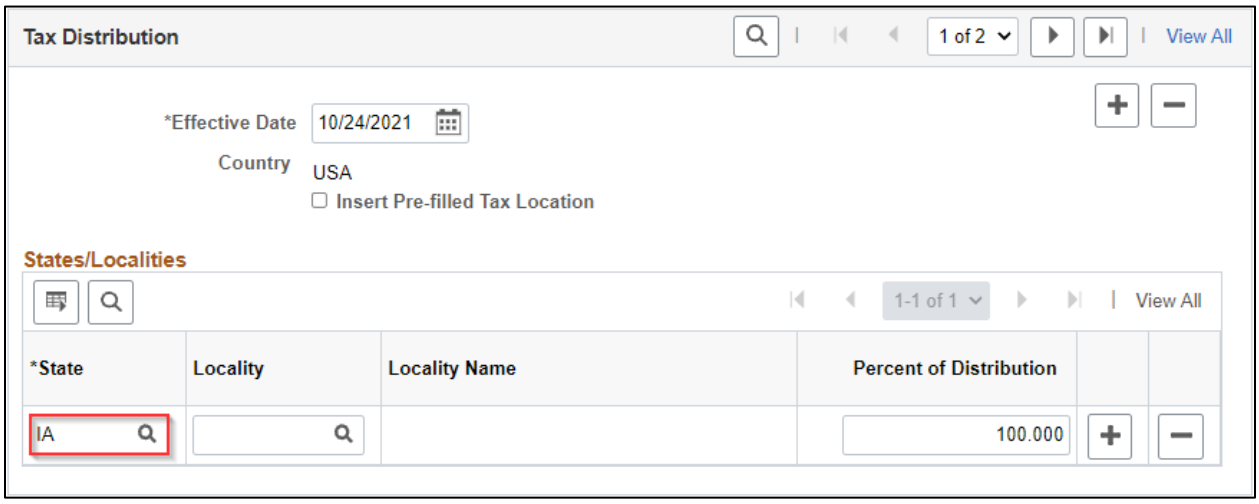
Scenario 7: Employee's work location and legal residence are in non-reciprocal state (e.g. IA, MN).

1. Follow Steps 1-3 in *Update Tax Data* section, then click the **Plus Sign (+)** on **State Information** tab to add a new state.

2. Update each row to reflect employee's residence (Resident) and work location (UI Jurisdiction – always WI). Check the respective box under each state.



3. Follow Steps 1-3 in *Update Tax Distribution* section, then update **Tax Distribution** state to match employee's work location of IA.



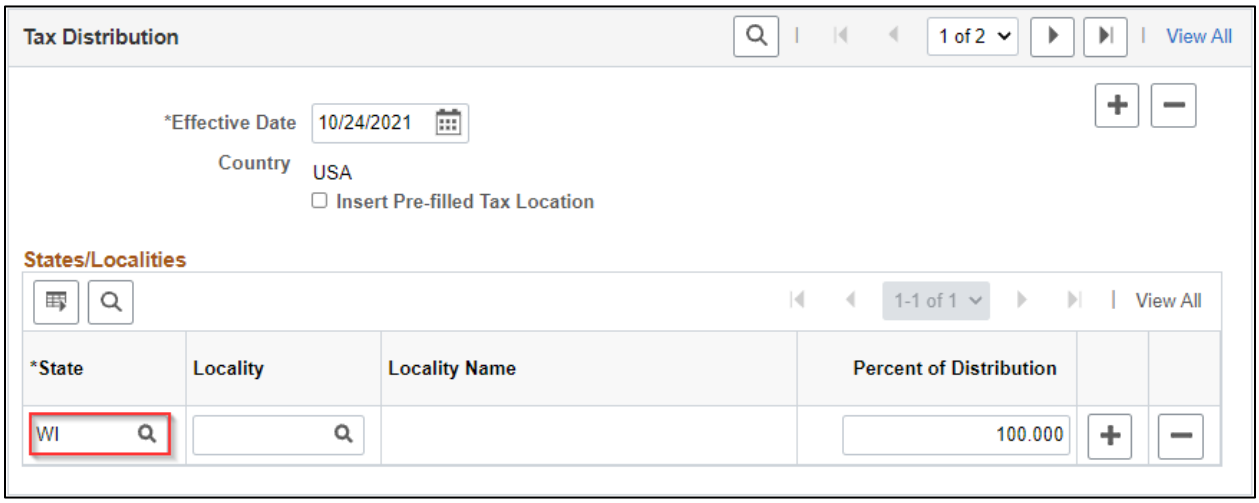
4. Provide employee with the corresponding state's tax form to complete for entry by Agency Payroll.

Scenario 8: Current employee moves from reciprocal or non-reciprocal state to WI - taxes are being withheld for the other state (e.g. MI, MN). Their updated work location and legal residence are in WI.

5. Follow Steps 1-3 in *Update Tax Data* section, then click Minus Sign (-) on **State Information** tab to remove the state that is no longer the residence.

6. Update remaining row to reflect employee's residence (Resident) and work location (UI Jurisdiction). Check both boxes in the WI row.

7. Follow Steps 1-3 in *Update Tax Distribution* section, then update **Tax Distribution** state to match employee's work location of WI.



8. Notify employee to submit a WT-4 in ESS to update their marital status and/or allowances.

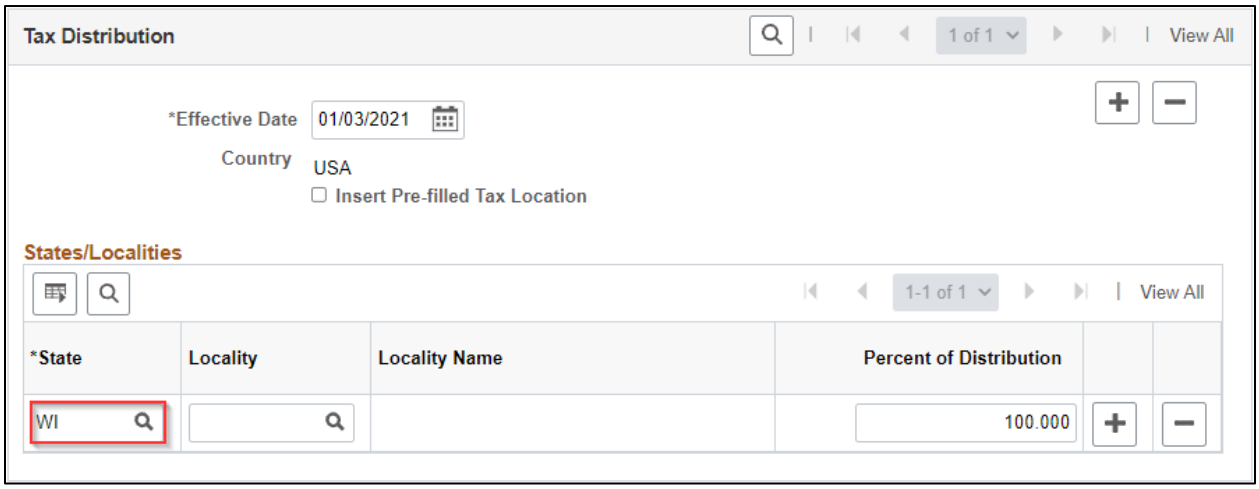
Scenario 9: New hire or rehired employee has incorrect tax Resident box load to State Tax Data because of a previous home address in Modify a Person. Their updated work location and legal residence are in WI.

1. If the home address is not up to date, contact employee to update via ESS or HR to update on **Modify a Person**.

2. Follow Steps 1-3 in *Update Tax Data* section, then click Minus Sign (-) on **State Information** tab to remove the incorrect state.

3. Update remaining row to reflect employee's residence (Resident) and work location (UI Jurisdiction). Check both boxes in the WI row.

4. Verify **Tax Distribution** state matches work location of WI.



5. Notify employee to submit a WT-4 in ESS to update their marital status and/or allowances.

Scenario 10: Employee's permanent work location and legal residence are in reciprocal or non-reciprocal state (e.g. NY, WA) that does not have a tax table set up in STAR HCM.

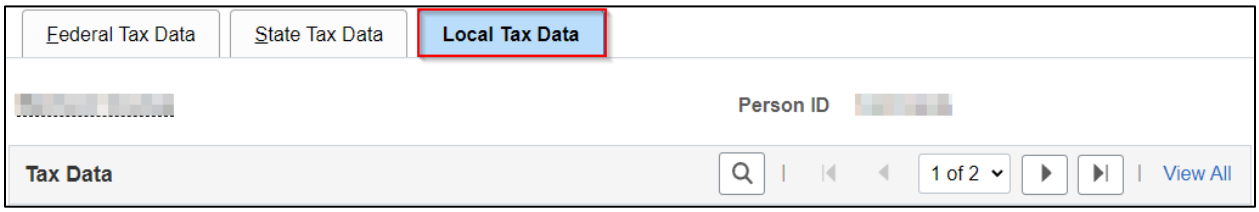
1. Complete the Agency Request to Central Payroll for Non-Wisconsin Employment Form and send to Central Payroll as soon as you are aware of the approved, permanent relocation for out-of-state work to set up the tax table.
2. Maintain WI **Tax Data** and **Tax Distribution** setup until registration is complete.
3. Central Payroll and Finance will research and register with the state for tax withholding and local tax jurisdiction if applicable. You will be notified when this is complete to request appropriate tax withholding forms and detail any other factors applicable to that state.

REVIEW LOCAL TAXES

If an employee performs work in a state and region with local taxes, then additional setup is needed to apply local tax withholding. Use the steps below to enter Local Tax Data for employees working in one of the five locations with a local tax table in STAR HCM.

For additional information on local tax withholding setup, refer to the Out of State Employee Set Up - Agency Guide.

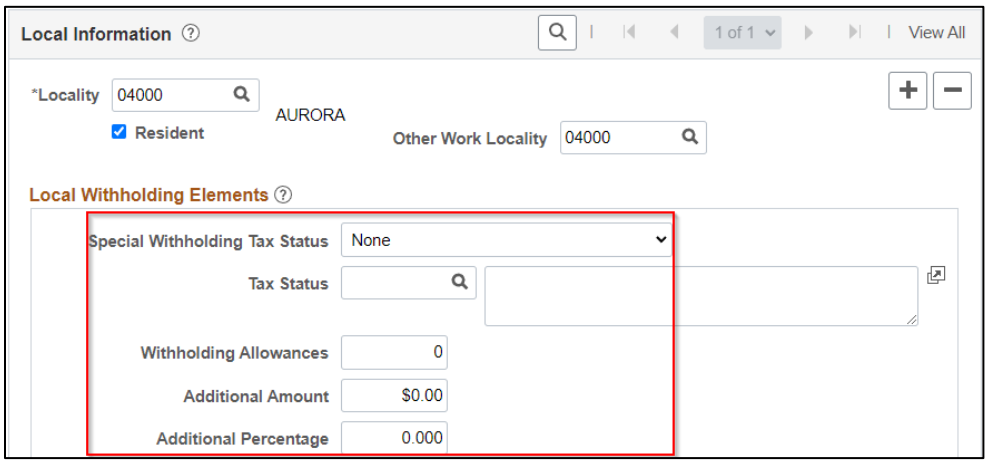
1. Follow Steps 1-6 in *Update Tax Data* section, then click on **Local Tax Data**.



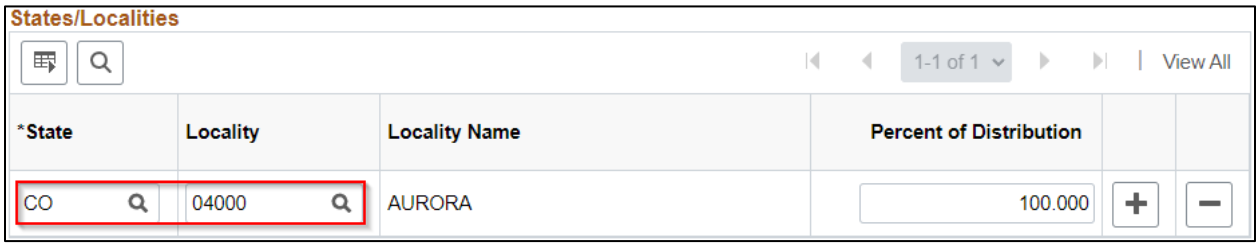
2. Enter the **Locality** and **Other Work Locality** based on the system settings for the corresponding location. If the employee works in a location with no tax table, refer to Scenario 10 in the *Out-of-state Tax Scenarios* section.

Local Tax Location	Locality	Other Work Locality	Tax Distribution Locality
Aurora, CO	04000	04000	04000
Denver, CO	20000	*Leave blank*	20000
Tippecanoe County, IN	157	*Leave blank*	*Leave blank*
Campbell County, KY	037	*Leave blank*	*Uses city distribution*
Fort Thomas, KY	28594	037	28594
Derry Township, PA	220201 0220125C	O220125C 220201	O220125C

3. Keep the **Local Withholding Elements** as the default values then click **Save**.



4. Follow steps 1-3 in *Update Tax Distribution* section then enter appropriate state and locality. Keep **Percent of Distribution** as *100.000*.



5. When **State** and **Locality** are updated, click **Save**.

GLOSSARY

Domicile

A "domicile" is a person's true, fixed, and permanent home where a person intends to remain permanently and indefinitely and to which a person has the intention of returning, whenever absent. It is often referred to as "legal residence."

Legal Resident

A legal resident of Wisconsin is a person who maintains his or her domicile in Wisconsin, whether s/he is physically present in Wisconsin or living outside of the state.

Non-reciprocal State

A state with which Wisconsin does not have a reciprocity agreement so residents of this state working in Wisconsin may be subject to income tax laws of both states.

Reciprocal State

A state with which Wisconsin has a reciprocity agreement so that residents of this state working in Wisconsin will be taxed on income earned as an employee by their home state and not by Wisconsin.

Tax Data

A STAR HCM page used to determine the Federal and State withholding rate applied to earnings, unemployment reporting location, and residency for additional earnings reporting and tax withholding (when applicable).

Tax Distribution

A STAR HCM field that populates the tax state on an employee's pay lines. The state defaults to WI based on the Tax Location code in Job Data. It should match the employee's primary work location.

Tax Location Code

A STAR HCM field that defines an employee's telework arrangement as Headquarter Location, Remote or Mixed.

Tax Reciprocity Agreement

An income tax agreement between two states that prevents the same income from being subject to tax by more than one state.

Tax Resident

A STAR HCM field that determines the application of state tax withholding in conjunction with Tax Distribution. The state defaults to the first home address entered in the system on or prior to the hire date. It should usually match the employee's home address.

Telework Arrangement

A work flexibility arrangement under which an employee performs the duties and responsibilities of his/her/their position, and other authorized activities as determined by the supervisor, from an approved alternate worksite other than the employee's primary main office, one or more days per week on a standard and recurring basis.

UI Jurisdiction

A STAR HCM Field that determines the application of employer unemployment tax. The state defaults to WI for all employees. This state should always be Wisconsin regardless of work location.

Work Location

A worksite where employee performs their work duties. This is determined by the STAR HCM Location, Tax Location Code and/or home address.

ADDITIONAL RESOURCES

- Out of State Employee Set Up - Agency Guide
- Agency Request to Central Payroll for Non-Wisconsin Employment Form
- Update Pay Data Job Aid
- DOR Publication W-166 - Withholding Tax Guide
- DOR Publication 121 - Reciprocity
- DOR Wisconsin-Minnesota Tax Reciprocity Termination