



Rhode Island Department of Revenue

Division of Taxation

ADV 2020-22
TAX ADMINISTRATION

ADVISORY FOR TAX PROFESSIONALS
MAY 26, 2020

Withholding-tax guidance for working remotely amid pandemic

Goal is to reduce administrative burdens on public and private employers

PROVIDENCE, R.I. -- The Rhode Island Division of Taxation today posted an emergency regulation that provides withholding-tax guidance for employers that have employees who are temporarily working remotely due to the coronavirus pandemic (COVID-19).

Background

In Rhode Island and other states, employers withhold state taxes from the wages of their employees who work within the employer's state's boundaries.

However, due to the pandemic, many employees are now working from home (telecommuting, or teleworking). They receive wages for work performed on behalf of their employers -- but their work is performed at locations outside the state where their regular workstations were previously located.

Confusion, extra costs, and concerns may arise among both employers and employees if employers have to withhold and remit out-of-state taxes for employees who are temporarily working remotely outside the state where their employer is located.

Therefore, the Division of Taxation today posted an emergency regulation that temporarily simplifies the tax withholding process with regard to remote working. "The intention of this guidance is to promote stability and avoid further confusion in the marketplace and reduce administrative burdens on public and private employers," said Rhode Island Tax Administrator Neena Savage.

The Rhode Island Division of Taxation is posting this Advisory as a plain-language, informal summary of a recently issued emergency regulation.

This Advisory is for general information purposes only. It is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices.

Taxpayers and their advisors are encouraged to read the text of the emergency regulation to determine how the guidance applies to them.

Guidance

Part of the guidance involves nonresidents who are employed by a Rhode Island employer and normally work in Rhode Island, but who are temporarily working outside of Rhode Island due to the pandemic.

Under the emergency regulation, the income of employees who are nonresidents temporarily working outside of Rhode Island solely due to the pandemic will continue to be treated as Rhode Island-source income for Rhode Island withholding tax purposes.

Example: A Massachusetts resident works for a Rhode Island employer, normally performs his tasks within Rhode Island, and has wages that are subject to Rhode Island income tax withholding. If the employee is temporarily working within Massachusetts due to the pandemic, the employer should continue to withhold Rhode Island income tax because the employee's work is derived from or connected to a Rhode Island source.

Another part of the guidance involves Rhode Island residents who are employed by an employer outside of Rhode Island, and normally work outside of Rhode Island, but who are temporarily working remotely in Rhode Island.

Under the emergency regulation, Rhode Island will not require employers located outside of Rhode Island to withhold Rhode Island income taxes from the wages of employees who are Rhode Island residents temporarily working within Rhode Island solely due to the pandemic.

Example: A Rhode Island resident works for an employer in Connecticut, normally performs her tasks within Connecticut, and has wages that are subject to Connecticut income tax withholding. If the employee is temporarily working within Rhode Island solely due to the pandemic, the employer will not be required by Rhode Island to withhold Rhode Island income taxes from that employee's wages for the duration of the emergency.

For more details, including definitions, citations, the limited duration of the regulation, the limited applicability of the regulation, and other information, click [here](#), or use the following address: <https://rules.sos.ri.gov/regulations/part/280-20-55-14>.

As a convenience for employers and their advisors, the Division includes the following links that provide information from neighboring states:

- Massachusetts Department of Revenue [TIR 20-5](#) ("Massachusetts Tax Implications of an Employee Working Remotely due to the COVID-19 Pandemic").
- Massachusetts Department of Revenue Emergency Regulation ([830 CMR 62.5A.3](#) – "Massachusetts Source Income of Non-Residents Telecommuting due to COVID-19").
- Connecticut Department of Revenue Services [website](#).

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The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, has normal operating hours from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <http://www.tax.ri.gov/contact>
