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Payroll Facts: Unemployment When Employees Work In More Than One State

What To Do

To determine which state to pay unemployment taxes to, gather the facts on where each employee is based, performs work, and lives. Compare each employee's individual situation with the following categories until you find one that applies. Once you find the applicable category, disregard the others. Remember, for each employee, you pay unemployment taxes to one state and only one state.

Categories

- Localized – Employees who work basically in one state but do temporary or transitory work in other states.
- Base of Operations – A place where the employee usually starts work and returns. It could be a particular place:
 - Where the worker receives instructions.
 - Where the worker maintains business records.
 - Where mail and supplies are sent.
 - An office in the worker's home.
- Place of Control – A place where the employee works at least part of the time in the state where their employer's office is located.
- Residence – This is the place where the employee lives. An employee who has an office in their home has no significance in this category.

Example 1:

O'Malley is a salesperson whose regular territory is Illinois. Occasionally, he makes trip to Wisconsin to attend meetings.

You would pay Illinois. O'Malley is localized, that is, he works basically in Illinois but does temporary or transitory work in other states.

Example 2:

O'Malley travels throughout four western states for a Nevada-based company. His work is about equal in each state. When working in Nevada, he reports to the main office to pick up records and receive assignments.

You pay Nevada. O'Malley's work does not fall into the "localized" category, but his base of operations is in a state where he works.

Example 3:

O'Malley lives in North Carolina and works for a company whose factory and selling office are in Virginia. O'Malley's territory takes in North Carolina, Virginia, and Kentucky. He has no single base of operation in any of these states. He doesn't report to, start from, or return to the Virginia office.

You pay Virginia. The work is not "localized" and there is no "base of operation" so you consider the place of control.

This becomes the deciding factor if the employee works at least part of the time in the state where his or her employer's office is located. In this example, Virginia is the place of control.

Example 4:

O'Malley's employer is located in Kansas. But he does not work or report there. His territory is New Hampshire, Maine, and Vermont, and he lives in New Hampshire.

You pay New Hampshire. O'Malley's work is not "localized," there is no "base of operations" or "place of control" because he does not ever work in Kansas, so you would consider O'Malley's residence.

This article was furnished by:

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