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State Income Withholding Simplification on the Horizon

RETAIL, TAX

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The House of Representatives recently passed the Mobile Workforce State Income Tax Simplification Act of 2017. If enacted, employees who work in a state different than their home state would only be subject to that state's income taxes if they work for more than 30 days in that state in a given year. This bill has bipartisan support, as both major political parties see an advantage to a simple thirty day threshold test when it comes to state income tax withholding for employees that work in multiple states.

If passed, the bill will provide uniformity and simplification to both employers and employees. Currently, commonality among the states is lacking, as each state has its own rules and bylaws regarding tax withholding when it comes to employees working in multiple states. The Mobile Workforce State Income Tax Simplification Act of 2017 would shield the employees from encountering complicated compliance burdens such as navigating through complex state tax laws, unique to each state, to see if state withholding, or the filing of a separate state tax return is required. This bill provides simplicity in offering a simple thirty day rule to test if an employee's income is subject to tax in another state. The American Institute of Certified Public Accountants is a strong supporter of this potential rule, as it takes a straightforward and simple approach to state tax withholding.

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