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**Abstract:** During the COVID-19 pandemic, it's been fairly common for people to work remotely from another state — across state lines from the employer's place of business or even across the nation. Employees that fit that situation may need to file tax returns in both states, potentially triggering additional state taxes.

## Working remotely from "out of state" can be taxing

The COVID-19 pandemic has required many people to work remotely, either from home or a temporary location. One potential consequence of remote work may surprise you: an increase in your state tax bill.

During the pandemic, it's been fairly common for people to work remotely from another state — across state lines from the employer's place of business or even across the nation. If that describes your situation, you may need to file tax returns in both states, potentially triggering additional state taxes. But the outcome depends on applicable law, which varies from state to state.

### Watch out for double taxation

Generally, a state's power to tax a person's income is based on concepts such as domicile and residence. If you're domiciled in a state — that is, you have your "true, fixed permanent home" there — the state has the power to tax your worldwide income. A state also may tax your income if you're a "resident." Usually, that means you have a dwelling in the state and spend a minimum amount of time there.

It's possible to be domiciled in one state but a resident of another, which may require you to pay taxes to both states on the same income. Many states offer relief from such double taxation by providing credits for taxes paid to other states. But it's still possible for remote work to result in higher taxes — for example, if the state where your employer is based, and where you usually live, has no income tax but you work remotely from a state with an income tax.

A state also may be able to tax your income if it's derived from a source within the state, even if you aren't a resident or domiciliary. Several states have so-called "convenience rules": If you're employed by an organization in the state, but live and work in another state for your convenience (not because the job requires it), then you owe income tax to the state where the employer is based.

If that happens, you also may owe tax to the state where you reside, which may or may not be reduced by credits for taxes paid to the other state. Some states have agreed not to impose their taxes on remote workers who are present in their state as a result of the pandemic. But in many other states there's a risk of double taxation.

### Know your options

If you've worked remotely from out of state in 2021, consult your tax advisor to determine whether you're liable for taxes in both states. If so, ask if there are steps you can take to soften the blow.