

# AICPA/Harris Poll Reveals Many Taxpayers Unaware of State Tax Liabilities Related to Working Remotely

November 5, 2020

*More than half of Americans who have worked remotely during the pandemic (55 percent) are not aware of possible tax consequences from not changing their state tax withholding to reflect their remote work location.*

*Forty-seven percent are not aware that each state has their own tax laws related to remote working.*

*Less than half (46 percent) are aware that the number of days they worked out of the state where their physical workplace is located may impact the amount of state taxes owed.*

**Washington, D.C. (November 5, 2020)** – In the wake of the COVID-19 pandemic, remote work has gone from being a perk offered by employers to standard operating practice for many companies. A survey of 2,053 U.S. adults conducted in October by The Harris Poll on behalf of the American Institute of CPAs (AICPA) showed that among the 58 percent of Americans currently employed, 42 percent have worked remotely during the COVID-19 pandemic and 25 percent are currently working remotely. The survey also revealed that more than half – 55 percent – of those who have worked remotely during the pandemic were not aware that a failure to change their state tax withholding to reflect their remote work situation could result in tax consequences.

“Working remotely can have tax implications that vary from state to state,” says AICPA Director for Tax Policy & Advocacy and state tax expert, Eileen Sherr, CPA, CGMA. “The sudden and unplanned increase of many employees working remotely due to the pandemic has left many of them unaware of their current state tax liabilities and any additional steps they need to take now and at tax filing time.”

The AICPA survey also found that of those who have worked remotely during the COVID-19 pandemic:

47 percent were not aware that each state has their own tax laws related to remote working;

71 percent were not aware that working remotely in other states can have an impact on the amount of state taxes owed; and

54 percent were unaware that the number of days worked out of the state where their physical workplace is located may also impact the amount of state taxes owed.

When asked if their state has state income tax reciprocity with any other state, 42 percent of Americans were unsure.

Among those currently working remotely who have worked in a state other than where their pre-pandemic physical workplace was located, many have done so across multiple states (on average three) for relatively short periods of time. Most of these remote workers – 75 percent – have worked out-of-state for 60 days or less, and 51 percent have worked out-of-state fewer than 30 days total.

The survey also provided some optimistic results, noting that 67 percent of those who have worked out-of-state notified their employer of the state they are working in, 51 percent have tracked the number of days worked in each state and 41 percent have changed their state income tax withholding.

“Some remote workers are taking the right steps – notifying employers, tracking days and changing state tax withholding – but there are still too many that are not taking action, likely because they not aware they should be,” says Sherr. “Failure to take these steps could mean an unpleasant surprise at tax time in 2021. Remote workers should take steps now to track their remote work and try to educate and prepare themselves for what the upcoming tax season might mean for them. I strongly urge taxpayers to talk with a CPA now about their situation.”

The AICPA recommends remote workers take the following to prepare for the 2021 tax filing season:

1. Compile a list of any states you’ve worked remotely in during 2020.
2. If you didn’t track the number of days worked in other states, try to approximate the number of days worked in each state.
3. Depending on the state, income taxes may also be levied by cities, counties, municipalities, school districts or other jurisdictions. Make sure you also track this level of detail.
4. Consult a CPA – taxpayers will likely have questions about how and where to file state taxes. A licensed CPA can help navigate those questions and effectively manage your state tax liability.
5. Check your state tax withholding – make any adjustments that are needed. If you do not have the correct state tax withholding, you may owe state taxes, interest and penalties when you file your taxes.
6. Going forward, continue to keep a record of all jurisdictions you work remotely in.

AICPA has advocated (<https://blog.aicpa.org/2020/07/pandemic-teleworking-causes-state-tax-withholding-issues.html#sthash.r1OIEklz.dpbs>) for compliance burden relief and simplification for remote workers, addressing the inconsistent state and local income tax and withholding rules. It supports creating a uniform standard to simplify compliance with the various state and local income tax laws. “If there were ever a time for filing relief and simplification for remote workers, this is it. But for now, the sooner people start taking steps, the easier and less costly it will be for them next Spring,” noted Sherr.

### **About the American Institute of CPAs**

The American Institute of CPAs (AICPA) is the world’s largest member association representing the CPA profession, with more than 431,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, and federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

### **About the Survey**

This survey was conducted online within the United States by The Harris Poll on behalf of AICPA from October 6-8, 2020 among 2,053 U.S. adults ages 18 and older, n=1,199 are currently employed. Results are statistically weighted for age within gender, region, race/ethnicity, household income, education, marital status, and size of household where necessary to align them with their actual proportions in the population. Propensity score weighting is also used to adjust for respondents’ propensity to be online.

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### **BACKGROUND:**

In June, 2020, the AICPA sent a letter (<https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20200618-aicpa-letter-supporting-mobile-workforce.pdf>) expressing support for bipartisan federal legislation, the Remote and Mobile Worker Relief Act of 2020 (<https://www.congress.gov/bill/116th-congress/senate-bill/3995?q=%7B%22search%22%3A%5B%22s.+3995%22%5D%7D&s=2&r=1>) (S. 3995), sponsored by Senators John Thune (R-SD) and Sherrod Brown (D-OH). Another letter (<https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20200827-aicpa-comment-letter-aicpa-cost-lead-letter-for-congressional-support-for-state-tax-filing-relief.pdf>) was sent in August 2020.

Additional results from The Harris Poll survey – respondents were asked to determine whether the following statements, to the best of their knowledge, were true, false or they were not sure:

<i>n</i> =2,053	<b>True</b>	<b>False</b>	<b>Not Sure</b>
Each state has its own tax laws related to remote working. <i>[The correct answer is True]</i>	52%	9%	40%
If one does not change their state tax withholding to reflect working remotely it is possible to experience tax consequences. <i>[The correct answer is True]</i>	39%	11%	49%
State income taxes must always be paid in states where individuals work remotely. <i>[The correct answer is False]</i>	39%	14%	47%
The number of days worked outside of the state where your physical office/workplace is located may impact the amount of state taxes owed. <i>[The correct answer is True]</i>	38%	12%	50%

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