

Telework Guidance

The Department of Revenue previously issued temporary guidance relating to telework and related tax implications during the COVID-19 pandemic:

[Telework During the COVID-19 Pandemic](#)

(/COVID19/Telework/Pages/Telework-During-COVID19.aspx)

This prior guidance linked above is effective until June 30, 2021 (“End Date”). As of the “End Date” the temporary guidance will no longer be applicable and existing tax law will govern.

Corporate Net Income Tax (CNIT)

Under existing tax law domestic and foreign corporations are subject to CNIT for the privilege of doing business; carrying on activities; having capital or property employed or used in Pennsylvania; or owning property in Pennsylvania. A corporation is considered to have nexus in Pennsylvania for CNIT purposes when it has one or more employees conducting business activities on its behalf in Pennsylvania. Therefore, a non-filing out of state corporation which continues to have a Pennsylvania resident working at home in 2021 after the “End Date” has nexus for 2021 and future years based solely on the activities of that employee, unless the telework activity is protected by P.L. 86-272., i.e. solicitation of sales of tangible personal property with orders approved and shipped from inventory outside Pennsylvania.


Sales Tax

A business has nexus with Pennsylvania sufficient to require it to collect sales tax if it maintains a place of business in the commonwealth. That includes, in part, engaging in any activity as a business within this commonwealth by any person, either directly or through a subsidiary, representative or an agent. A company which continues to have a Pennsylvania resident working at home in 2021 after the “End Date” may have nexus for 2021 and future years based solely on the activities of that employee.

Telework During COVID-19

(<https://www.revenue.pa.gov/COVID19/Telework/Pages/Telework-During-COVID19.aspx>)

COVID-19 Frequently Asked Questions

(<https://revenue-pa.custhelp.com/app/answers/list/c/251>) 

Personal Income Tax and Employer Withholding

After the “End Date,” employees will have to evaluate their current working situation and apply existing Pennsylvania tax laws.

A Pennsylvania resident who is required to telework full-time from home in Pennsylvania rather than the employer’s location outside of the state should treat his compensation as Pennsylvania source income.

Pennsylvania does not allow a taxpayer to claim a resident credit on Pennsylvania source income. Consequently, a Pennsylvania resident who is employed by an out of state employer but who is required to telework from his home in Pennsylvania cannot claim the Pennsylvania resident credit on his Pennsylvania tax return even if the state where his employer is located taxes his compensation. An employer who is located outside of Pennsylvania and whose only connection to Pennsylvania is an employee who teleworks full-time from home in Pennsylvania is not required, but may, withhold on the employee’s compensation.

A non-resident employee who is required to telework full-time from home in another state should treat his compensation as non-Pennsylvania source income even if his employer is located in Pennsylvania. In those situations, the employer is not required to withhold on the employee’s compensation.

Tax Credits

Certain economic development programs and tax credits require that specific costs (e.g., employee wages, research and development expenses) be sourced to the commonwealth or a defined location within the commonwealth. You can access the list of affected programs by visiting the

[Incentives, Credits and Programs](#)

(/IncentivesCreditsPrograms/Pages/default.aspx)

page.

As of the “End Date” the temporary guidance will no longer be applicable and existing tax law will govern.