

Memo

Date: November 18, 2025

To: Agency Payroll, Human Resources, and Accounting Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Employees Who Telework in a Different State – Reminder and Updates

Reminder: State agency employees are responsible for complying with all applicable federal, state, and local income tax requirements.

For additional details, please refer to the December 6, 2024 Memo: [State Income Tax Implications for Employees Who Telework in Different States](#)

General Requirement

Employees working in a state other than Minnesota either as a teleworker (e.g., working from a home location in Wisconsin) or temporarily working in a different state (e.g., traveling for business and conducting work duties from another state) must use a special earnings code (“additional work state earnings code”). The use of these special earnings codes allows MMB to comply with employer tax withholding and reporting requirements for time worked out-of-state when there is no reciprocity with the State of Minnesota.

Applicability

This guidance **applies** to:

- Employees teleworking from another state.
- Employees temporarily performing work duties in another state.

This guidance **does not** apply to:

- Remote workers whose permanent work location is outside Minnesota.
- Employees working from states that do not have state income tax ([see list below](#)).
- Employees working in Michigan or North Dakota, which have reciprocity agreements with Minnesota. Review the [Teleworkers in Reciprocity States \(ND or MI\)](#) below for more information, **which has been revised compared to previous memos**.
- Employees working de minimis hours (less than eight hours per pay period) in another state on a non-recurring basis.
- Employees attending professional conferences or workshops in a different state and spending a

de minimis amount of time (as defined above) or no time at all conducting regular work duties in that state. **In other words, an employee does not need to use special earnings codes to record time spent attending professional conferences or workshops out-of-state.**

Note: Minnesota State Colleges and Universities, the Board of Public Defense, and the Judicial Branch have unique reporting requirements. Please contact Statewide Payroll Services for separate instructions.

Important Deadlines

Calendar year 2025 – time reporting adjustments must be entered **by noon on Friday, December 5, 2025** (for pay period ending December 2, 2025).

Required Actions by Agencies

Add the Additional Work State

Update the employee's SEMA4 **Schedules page** (Additional Work States section) as soon as you are aware of out-of-state work. Refer to the SEMA4 Help Steps on [Set Up/Change an Employee's Standard Work Schedule](#).

More detailed information on additional work state set up in SEMA4 was shared in the [State Income Tax Implications for Employees Who Telework in Different States](#) agency memo.

Enter State W-4 Forms

Enter the employee's completed state W-4 form or use a default setup (single with zero allowances, or the equivalent of a single filer without any adjustments) in SEMA4's **State Tax Data** page.

Use the Correct Earnings Code

On the employee's timesheet, employees must add a separate row for days worked in the additional state using the correct \$XX earnings code (e.g., \$WI for Wisconsin).

Remind Agency Employees

Employees working in more than one income taxable state will receive a W-2 for each applicable state.

Special Cases and Setup Examples

Minnesota-Based Employees Temporarily Working Elsewhere

Employees of Minnesota temporarily working in a state with income taxes, that does not have reciprocity, will need to record the full day worked in the alternate state. Recording a partial day will result in a validation error.

- Do not make changes to the SEMA4 Job Data Work Location or Payroll tab Tax Location Code (both remain set to Minnesota).
- Ensure employees use a \$XX code (e.g., \$WI) in their Self-Service Time Entry for each full day worked in another taxable state.

Teleworkers in Reciprocity States (MI or ND) Revised from previous memos to provide additional details about reciprocity requirements

Minnesota has income tax reciprocity agreements with Michigan and North Dakota. Generally, reciprocity prevents both states from taxing the same wages. Under these reciprocity agreements, only the employee's home state will tax the wages.

Residents of Michigan or North Dakota who work in Minnesota are not required to use an additional special earnings code for Minnesota provided they have submitted an annual [Form MWR, Reciprocity Exemption/Affidavit of Residency](#) to remain exempt from MN withholding.

- Do not use \$MN code.
- Must still use \$XX codes for any work performed in non-reciprocity states where state income tax applies.

Residents of Minnesota who work in Michigan are not required to use an additional special earnings code for Michigan provided they have completed the annual [Form MI-W4, Michigan Withholding Exemption Certificate](#), claimed the exemption from withholding on the form, and have submitted the form to their agency's Human Resources or Payroll office.

- Must still use \$XX codes for any work performed in non-reciprocity states.

Residents of Minnesota who work in North Dakota are not required to use an additional special earnings code for North Dakota provided they have completed the annual [Form NDW-R, Reciprocity Exemption from Withholding in North Dakota](#), and have submitted the form to their agency's Human Resources or Payroll office.

- Must still use \$XX codes for any work performed in non-reciprocity states where state income tax applies.

Employees who seek reciprocity on a reoccurring basis must re-submit these forms to their agency's Human Resources or Payroll office between January 1 and the end of February every year.

Teleworkers in States Without Income Tax

When teleworking in states without state income tax, no additional work states will be added in the SEMA4 Payroll Schedules page Additional Work States section. The following states have no state income tax: Alaska (AK), Florida (FL), Nevada (NV), New Hampshire (NH), South Dakota (SD), Tennessee (TN), Texas (TX), Washington (WA), and Wyoming (WY). Employees working in these states will have no state income tax withheld or wages reported for time worked in these states.

- No additional work state setup is needed in SEMA4.
- Must use \$XX codes only if work is occasionally performed in a taxable state.

Split Shifts Between States

Employees must record **one full day (1)** per state. Split-day entries are not permitted.

Paid Leave on Scheduled Telework Days

If leave is taken on a day normally worked in another state, the appropriate \$XX code must still be entered.

Clarifying Terms

Teleworker

A work arrangement that allows an employee to perform work on a regular scheduled, recurring basis at a location that is not the employee's permanent/principal work location. Must follow earnings code setup as detailed above.

Remote Worker

An employee who, as a condition of their appointment, has their home or alternative location as the assigned work location, works permanently from that location, and does not have an agency permanent/principal work location. The Work Location and Tax Location Code must reflect their home or alternative work location's state.

Resources

[Telework Policy \(HR/LR #1422\)](#)

[Remote Worker Policy \(HR/LR #1447\)](#)

Questions?

- For questions about setup, adjustments, or state tax withholding, Agency Payroll, HR, and Accounting staff should contact Jennifer Goossen at spsops.employee4.mmb@state.mn.us or call 651-201-8072.
- For specialized tax withholding questions, Agency Payroll, HR, and Accounting staff should e-mail the tax team at payrolltax.mmb@state.mn.us or call Amanda Wilcox at 651-201-8182 or Rachel Vasend at 651-259-3897.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF