

## **Alert** | State & Local Tax (SALT)



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### **New Jersey Makes Accommodations for Taxpayers for COVID-19 Crisis**

The Coronavirus Disease 2019 (COVID-19) crisis has made the usual rules on nexus and apportionment for state and local taxes problematic. Governors ordered businesses to close and required workers to shelter at home. In normal times, having an employee in a state could result in the employer having nexus for sales tax purposes and require the collection and remittance of sales tax to the state.

Recently issued [guidance from the New Jersey Division of Taxation](#) recognizes the inequity of applying the normal rules to this abnormal situation. The guidance states the: “Division will temporarily waive the Sales Tax nexus standard which is generally met if an out-of-State seller has an employee working in this State. Thus, as long as the out-of-State seller did not maintain any physical presence other than employees working from home in New Jersey and is below the [economic thresholds](#) the Division will not consider the out-of-State seller to have nexus for Sales Tax purposes during this time period.” New Jersey’s economic nexus standard provides that a vendor having more than \$100,000 or 200 sales in New Jersey, requires the vendor to collect and remit New Jersey sales tax from its customers.

The guidance also provides an accommodation for New Jersey income tax. Generally, the amount of income on which New Jersey tax would be owed would be determined by the location where work was performed (days worked in NJ as compared to total working days). However, with employees working from alternate locations or from home, changing withholding to reflect the actual location where work is performed may be burdensome on employers and employees. The Division’s guidance states: “New Jersey sourcing rules dictate that income is sourced based on where the service or employment is performed

based on a day's method of allocation. However, during the temporary period of the COVID-19 pandemic, wage income will continue to be sourced as determined by the employer in accordance with the employer's jurisdiction." This is not an issue for New Jersey or Pennsylvania residents working in the other state since these states have a Reciprocal Personal Income Tax Agreement that eliminates wage sourcing issues as there is agreement not to tax the wages of a resident of the other state.

The states are facing falling tax receipts along with other issues arising from the COVID-19 crisis. The New Jersey Division of Taxation has taken steps to assist taxpayers dealing with this ongoing crisis and may serve as an example for other tax authorities.

For more information and updates on the developing COVID-19 situation, visit [GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#).

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