



Massachusetts clarifies paid leave taxes for temporary telecommuters

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A Massachusetts technical information release ([TIR-20-10](#)) clarifies state tax requirements — including taxes for paid family and medical leave (PFML) contributions — for employees working remotely due solely to the COVID-19 pandemic. The guidance revises earlier guidance ([TIR 20-5](#)) on the tax implications of remote work to ensure businesses have sufficient time to prepare for the end of these temporary rules.

Working from home

Along with other states, Massachusetts has declared states of emergency and issued temporary measures, restrictions and public health recommendations to address the pandemic. In response, some employers are imposing work-from-home requirements. Many affected employees live and work in neighboring states. For example, a Massachusetts resident who normally works in a neighboring state, such as Connecticut, may be telecommuting from home during the emergency. This raises concerns about which employees should pay the state's PFML contributions, since participation is based on work location. The TIR provides helpful guidance on this and other tax-related questions employers may have.

Temporary telecommuting within Massachusetts

Until the earlier of Dec. 31, 2020, or 90 days after the Massachusetts state of emergency ends, the presence of one or more employees temporarily working remotely in Massachusetts won't trigger any state tax consequences. The remote work must come in response to a COVID-19 governmental order, individual quarantine or isolation instructions, or diagnosis or exposure; or an employer policy adopted to comply with federal or state government guidance or public health recommendations. After this temporary relief expires, an employee working in the state — even if solely for a COVID-19-related reason — will be treated for tax purposes, including PFML contributions, as a Massachusetts employee.

Temporary telecommuting outside Massachusetts

An individual who previously worked in Massachusetts but is temporarily working from home in another state solely because of COVID-19 continues to be subject to PFML and other state employment taxes. The [Executive Office of Labor and Workforce Development](#) intends to issue additional guidance on the application of PFML rules once the temporary TIR expires.

Other state tax concerns

Employers that don't have any worksites in a state but do have employees telecommuting from there may have a nexus with the state, creating certain tax obligations. Massachusetts provides a temporary exemption for this situation, but businesses must maintain written records to substantiate that a COVID-19 circumstance accounts for any employees triggering the nexus.

Employer considerations

Employers that have no presence in Massachusetts but do have employees temporarily working from home there should document the need for the temporary arrangement. For example, an employer should retain copies of its remote work policy to demonstrate that the temporary tax guidance applies to employees working remotely in Massachusetts. If this remote work continues beyond the end of 2020 (or 90 days after the end of the state of emergency, whichever is sooner), these businesses may need to register with the state and begin collecting PFML contributions.

Employers with Massachusetts employees working temporarily from their homes in another state should continue to remit the appropriate PFML contributions until this guidance expires.

In both cases, business should consult with their tax professionals on other tax implications.

Related resources

Non-Mercer resources

- [TIR-20-10](#) (Massachusetts Department of Revenue, July 21, 2020)
- [TIR 20-5](#) (Massachusetts Department of Revenue, April 21, 2020)
- [Declaration of a state of emergency to respond to COVID-19](#) (Massachusetts Governor's Office, March 10, 2020)

Mercer Law & Policy resources

- [Massachusetts readies for paid family and medical leave](#) (Jan. 13, 2020)

Other Mercer resources

- [Stay informed on the coronavirus](#) (regularly updated)

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