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Telework Due To COVID-19 Spawns Employer Nexus Worries.

Whether states can and will assert nexus on businesses whose employees are working remotely at home has emerged as a top concern among state tax professionals amid the COVID-19 pandemic.

In the last few weeks, the mass shift to working from home as governments, businesses and individuals seek to comply with “stay at home” orders to avoid spreading the novel coronavirus has created a situation in which businesses now have presence in states that they didn’t have before. This turn of events has created confusion and worry about how states will respond, especially since COVID-19 is causing a collapse of state tax revenues at the same time as this opportunity for states to reach new business taxpayers by asserting nexus.

In response, state tax professionals are pleading with states to issue guidance declaring that they will not assert nexus to impose tax reporting and payment obligations on previously untaxed businesses if an employee is working remotely only because of safety considerations. That would be an effective form of relief for businesses and employees in what for many continues to be the most uncertain time in their histories, state tax professionals are saying.

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