



## Connecticut law provides 15-day tax relief to nonresident employees starting in 2016

Under legislation enacted on December 10, 2015, and effective January 1, 2016, the compensation of Connecticut nonresident employees is exempt from state income tax and income tax withholding if employees are present in the state for 15 or fewer days in the calendar year. ([Act No. 15-1 \[pdf\]](#).)

For purposes of the law, presence in Connecticut for any part of a day constitutes being present in the state for that entire day except if the employee's presence is only incidental to travel through the state.

The 15-day de minimis exception also does not apply to income derived by nonresident athletes, entertainers or performing artists.

Currently, a Connecticut nonresident employee is subject to income tax on all compensation earned within the state; however, the employer is not required to withhold income tax if the employee is present in the state 14 or fewer days in the calendar year. New York imposes a similar rule. (*Connecticut AN 2010(3)*; New York *TSB-M-12(5)*.)

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### Ernst & Young LLP insights

Businesses with employees that occasionally travel to Connecticut for work should consider how this law change will affect policies concerning reporting and withholding compliance as well as state income tax equalization (i.e., gross up).

Further, affected employees should be notified of the state's change in tax policy starting next year.

Learn more about multistate employment tax compliance and trends at:

<http://www.ey.com/US/getonboard>

Connecticut's legislation comes at a time when momentum has increased for federal legislation that would mandate a uniform 20-day de minimis exemption from state nonresident income tax. The legislation faces opposition from states like California and New York and such organizations as the Federation of Tax Administrators the National Governors Association. (*EY Payroll Newsflash*, Vol.16, 158, 6-19-2015; *Mobile Workforce State Income Tax Simplification Act of 2015*, [HR 2315](#)/S.386.)

Currently, only 23 states waive their nonresident income tax requirements based on de minimis earnings and/or time spent in the state.

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