

May 4, 2020 (REVISED)

Wage Tax policy guidance for non-resident employees

Non-resident employees who work for Philadelphia-based employers are not subject to Philadelphia Wage Tax during the time they are required to work outside of Philadelphia.

The Philadelphia Department of Revenue has not changed its Wage Tax policy during the COVID-19 pandemic. Schedules to withhold and remit the tax to the City remain the same. We are publishing this guidance at a time when employees have been forced to perform their duties from home, many for the first time.

This is the policy:

The City of Philadelphia uses a “requirement of employment” standard that applies to all non-residents whose base of operation is the employer’s location within Philadelphia. Under this standard, a non-resident employee is not subject to the Wage Tax when the employer *requires* him or her to perform a job outside of Philadelphia including working from home.

A non-resident employee who works from home for his or her convenience is not exempt from the Wage Tax – even with his or her employer’s authorization. On the other hand, if a Philadelphia employer requires a non-resident to perform duties outside the city, he or she is exempt from the Wage Tax for the days spent fulfilling that work.

An employer may *choose* to continue withholding the Wage Tax from 100% of a non-resident employee's compensation. This is a business decision, *not* a requirement.

Non-resident employees who had Wage Tax withheld during the time they were required to perform their duties from home in 2020, may file for a refund with a [Wage Tax refund petition](#) in 2021. Employees file for a refund after the end of the tax year and will need to provide a copy of their W-2 form. Employees must provide a letter from their employer stating they were required to work from home. The letter, which must be on company letterhead and signed, is submitted along with the refund petition.

The City requires an employer to withhold and remit Wage Tax for all its *Philadelphia residents*, regardless of where they perform their duties.