



## Remote work compliance: The importance of knowing your workforce and where it's headed

The need for remote work arrived quickly when COVID-19 caused the implementation of work-from-home orders virtually overnight. That need won't likely go away quickly. For many companies, it might not go away at all.

The demand for remote work options existed before the pandemic. Technology was already making virtual connections more seamless, and hiring managers were benefiting from the reduced importance of geography in talent acquisition. That demand will likely continue to grow after the pandemic, when business travelers resume their cross-country routines and companies discover that some former in-office employees have been just as productive during this at-home stretch as they were prepandemic.

Remote workforces [built to last beyond COVID-19](#), though, may carry with them major tax implications. They might increase the number of needed corporate tax returns and payroll registrations. They might affect a company's tax credits and incentives.

As leaders prepare for a future that features remote work more prominently, they need to understand three key types of employees ([in-office](#), [remote](#), and [hybrid](#)) and the nuanced tax implications each brings. Once they understand these different groups, leaders can take action to develop a remote work compliance policy that fits their needs and capabilities from a tax perspective.



## In-office employees

Sound familiar? These employees typically go into an office or facility within commuting distance of their home each day. Nearly all of their work is performed from that one location, so reporting and withholding for them is fairly straightforward. They don't work from states in which their company is not registered for payroll taxes. There's a consistent number of these workers heading to each location, so companies can be confident in where they stand with possible tax credits and incentives offered by various governments and taxing bodies.

In-office employees can become more complex from a tax perspective when they travel for business or live in one state and work in another. (An office in New York may be the workplace of commuters from Connecticut or New Jersey, for example.) Both of these scenarios have been the norm for generations and require little more than proper business travel reporting and up-to-date address information.

If only all employees were so easy to track.

## Remote employees

Remote employees can eventually become as easy as in-office employees for tax departments to manage. But they can require significant work up front—particularly for small- or medium-size companies.

The meaning of a potential remote employee is different from company to company and from worker to worker. A remote employee might be someone who would work each day from their home office in the same city their company is headquartered. They might be someone who would live in a completely different state than the one in which their company is located.

Each remote work situation brings its own tax implications. If adding a new remote employee would require you to file a corporate tax return or register for payroll in a new state, you need to make sure allowing that employee to work there is aligned with the overall business strategy and that you're able to navigate the extra compliance issues.

Once a fully remote employee's situation is confirmed and the corporate tax and payroll needs are in place, their tax implications can become as easy to manage as those of a fully in-office employee. It's those employees who aren't fully one or the other that can complicate things from a tax perspective.

## Hybrid employees

There are countless degrees in between fully in-office employees and fully remote. Hybrid employees are inherently unique and may be challenging for tax compliance purposes.

Employees who, due to the nature of their jobs, spend significant portions of time in the office, at home, and traveling to various states and countries require close tracking in order to meet employer compliance obligations. Because hybrid employees work from multiple locations, they require the same up-front work as remote employees. Similar to the remote employee, it's important to ensure you have a tax presence in all the different locations where you anticipate they will work. But there's more work to be done. While fully remote employees are relatively stationary once established, many hybrid employees are frequently on the move. That makes tracking them for tax purposes a continuous process.



It's important that tax teams have a system in place to do that continuous tracking. Technology solutions such as virtual private networks (VPNs) or IP login systems can help automate the needed location tracking. Having these hybrid employees track their time spent working in different locations in a user-friendly, GPS-enabled calendar tool might also be an option.

[Expenses](#) are also an important consideration for hybrid employees. It is important to determine what expenses employers are reimbursing and if they are allowable business expenses or relate to commuting, which would likely be compensatory.





## Time to take action

Tax can play a critical role in shaping the future of remote work at an organization. For those organizations starting out on the remote work compliance journey, there are six steps to get you on your way.

- **Connect with your stakeholders.** Tax should not be an island in this process. Plug into the wider strategy.
- **Gather data.** Understand where your employees are, have been, and plan to be if you implement remote working.
- **Analyze the likely compliance, operational, and cost change** that will be brought about by remote working.
- **Identify your red lines.** Will you allow employees to work anywhere, or will there be nonnegotiable locations?
- **Develop your tax policy,** and implement it into the broader remote work strategy
- **Develop your compliance response.** Will you have more work to do? How will you do it? Do you have the resources necessary for the activities required?

Once an organization has gathered the right data and answered the necessary questions, an effective remote work compliance structure should include three critical prongs:

- **Governance:** Handle escalations, continually assess your tax system's effectiveness, and manage your long-term remote work policy.

- **Case management:** Track, evaluate, and make decisions on remote work initiations, change requests, and extensions.
- **Compliance operations:** Monitor where new filing, withholding, and income allocations are needed; complete payroll tax registrations; and complete year-end filings for employer and employees.

## Here to stay

The demand for remote work options did not start with COVID-19, but it certainly grew as a result of it. Working from home has become the (new) norm. Long after the pandemic ends, there will be former in-office employees who will want to keep that status quo—at least to some extent. With the potential long-term savings in overhead costs, their companies may be just as enthusiastic.

But remote work compliance requires more than videoconferencing apps. It requires a complete understanding of your workforce today and a thorough mapping of where and how you expect it to grow tomorrow. Doing so will allow you to properly track and meet your compliance obligations for employees, wherever they fall on the remote work spectrum.

When it comes to growing your organization's remote workforce, tax needs a seat at the table. Are you ready to take it?

## Let's discuss

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