

Income/Franchise:

New Jersey Division of Taxation Explains “Convenience of the Employer” Rule for Connecticut Residents

Convenience of the Employer Sourcing Rule Enacted for Gross Income Tax, N.J. Div. of Tax. (rev. 9/26/23). The New Jersey Division of Taxation (Division) issued updated guidance [see *State Tax Matters*, Issue 2023-33, for details on this guidance as originally issued] pertaining to recently enacted New Jersey legislation that adopts a “convenience of the employer” rule for nonresident income sourcing for New Jersey gross (individual) income tax purposes [see A.B. 4694 (2023), and *State Tax Matters*, Issue 2023-30, for more details on these law changes], addressing how this new rule applies to employees who are residents of Connecticut as New Jersey “recognizes that Connecticut law contains a convenience of the employer rule.” The guidance explains that upon review of Connecticut’s relevant provision, which is codified in Conn. Gen. Stat. § 12-711, “it appears that Connecticut’s convenience of the employer rule is reciprocal, much like New Jersey’s newly enacted law.” Accordingly, the Division concludes that “an employee who works from home in Connecticut for a New Jersey employer will not implicate New Jersey’s convenience of the employer rule.” The Divisions also explains that “although it is New Jersey’s expectation that Connecticut will adopt a similar position with regard to the application of its convenience of the employer rule to employees who work in New Jersey for a Connecticut employer, it is recommended that taxpayers and practitioners look for formal guidance from Connecticut.” Please contact us with any questions.

URL: <https://www.state.nj.us/treasury/taxation/conveniencerule.shtml>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230818_5.html

URL: <https://www.njleg.state.nj.us/bill-search/2022/A4694>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230728_4.html

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