TaxStache 2026 Multi-State Hiring Compliance Checklist

For business owners hiring remote workers in states outside their home state. Updated May 2026 — taxstache.com

This checklist is organized by timeline because order matters. Some registrations have to be in place before the employee's first paycheck. Some obligations begin accruing the day the employee starts work. Some exposure (corporate income tax, sales tax nexus) can sit silently for months until a state finds it. Work through each phase in order and flag anything that needs professional guidance.

Important reminder: Hiring a remote employee in another state is not the same as hiring locally. The federal side stays identical. The state side multiplies. Each new state is, in effect, a new mini-jurisdiction with its own forms, deadlines, and penalty schedule.

Phase 1: Before You Make the Offer

Confirm the Work Location

☐ Get the employee's resident state and primary work location in writing as part of the offer. "Remote" is not a location for tax purposes. The state where they actually sit and work is.

☐ If the employee will work from multiple states (split residences, frequent travel, snowbird patterns), flag this immediately. Multi-state work assignments require apportionment and are significantly more complex.

☐ Document any travel-to-headquarters expectations. Some "convenience of the employer" exposure can be reduced when in-state presence is genuinely required.

Identify What's Triggered

☐ Look up whether the employee's state has a state income tax. (Nine states currently don't: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming.)

☐ Check whether a reciprocal agreement exists between the employee's resident state and the state where they'll perform the work (rare for fully remote hires, but possible for hybrid arrangements).

☐ Identify whether the employee's state imposes "convenience of the employer" rules that could subject them to your state's tax as well. New York is the most aggressive; Pennsylvania, Delaware, and Nebraska also have versions.

☐ Identify any local (city or county) income taxes in the employee's location. NYC, Philadelphia, and most of Ohio's municipalities are common surprises.

Phase 2: Before the First Paycheck

State Registrations

☐ Register with the employee's state department of revenue for income tax withholding (skip if no state income tax).

☐ Register with the employee's state workforce or labor agency for state unemployment insurance (SUTA). All 50 states require this — even no-income-tax states.

☐ Register for any state-specific paid family and medical leave (PFML) program. Active in roughly 15 states and D.C. as of 2026, with new states coming online each year.

☐ Register as a foreign entity doing business in the state, if required. Some states require this once you have an employee. Fees are modest; penalties for skipping it are not.

☐ Confirm your existing workers' comp policy covers the employee's state. If not, add coverage or purchase a separate policy. Most states require coverage from the first employee.

Withholding Setup

☐ Have the employee complete the federal Form W-4.

☐ Have the employee complete the resident state's withholding form (varies by state).

☐ If a reciprocal agreement applies, have the employee complete the relevant non-residency certificate.

☐ If the employee is in a "convenience of the employer" state, evaluate dual withholding exposure before the first payroll run.

☐ Verify that your payroll provider supports the employee's state. Confirm in writing — some providers list states they "support" but don't actually file in.

Phase 3: Each Pay Period

Withholding

☐ Federal income tax (no change from your existing process).

☐ FICA: 6.2% Social Security (on wages up to $184,500 in 2026) and 1.45% Medicare. No change from your existing process.

☐ State income tax for the employee's work state, per their state's withholding tables.

☐ Local income tax, if applicable.

☐ State PFML or disability contributions, if applicable.

Deposits and Filings

☐ Federal deposits on your existing schedule.

☐ State income tax deposits per the employee's state's schedule (often different from federal and from your home state).

☐ State unemployment contributions per the employee's state's schedule (typically quarterly).

☐ Local tax deposits, if applicable.

Phase 4: Quarterly and Annual Filing

Quarterly

☐ Form 941 (federal), filed once for the entire business.

☐ State income tax withholding return for each state where you have employees, on each state's schedule.

☐ State unemployment quarterly return for each state where you have employees.

Annual

☐ Form 940 (federal FUTA), filed once for the entire business by Jan. 31.

☐ Form W-2 for each employee, with state and local wage and tax information correctly populated for each state worked.

☐ State annual reconciliation forms, where required.

Phase 5: Income Tax and Sales Tax Nexus Review

Corporate / Pass-Through Income Tax

☐ Identify every state where you currently have an employee.

☐ Look up each state's nexus standard for corporate income tax (or pass-through entity tax for LLCs and S-Corps).

☐ Determine whether your existing activity has crossed the threshold. For most states, a single in-state employee is sufficient.

☐ If you've crossed the threshold:

- Register for state corporate income tax or pass-through entity tax filings
- Begin filing state returns and apportioning income on each state's schedule
- Pay any minimum franchise tax or annual fee that applies (California's $800 is the most well-known; many states have their own)

☐ If you've been over the threshold for a while without registering, evaluate voluntary disclosure before the state contacts you. Most states offer reduced lookback periods and waived penalties for businesses that come forward voluntarily. Once you've been contacted first, those favorable terms disappear.

Sales Tax Nexus

☐ Confirm whether having an employee in the state creates physical nexus for sales tax (it usually does).

☐ If you sell taxable goods or services into that state, register for a sales tax permit and begin collecting from the date of physical nexus, not the date of registration.

☐ Pull a sales-by-state report to confirm whether economic nexus thresholds (typically $100,000 in sales or 200 transactions) have also been crossed.

Public Law 86-272 (if applicable)

☐ Determine whether your in-state activity qualifies for P.L. 86-272 protection. Note that the protection is narrow:

- Applies only to sales of tangible personal property
- Does not apply to services or digital products
- Does not apply to most modern internet activity under the Multistate Tax Commission's 2021 revised interpretation
- Does not exempt you from sales tax, franchise tax, or non-income-based fees

When to Get Professional Help

Situation	Who to hire
First out-of-state hire, no prior multi-state experience	Payroll professional or CPA before first paycheck
Hires in three or more states	Payroll provider with confirmed multi-state capability
New York convenience-of-the-employer exposure	Multi-state tax CPA — this one is genuinely complex
Already operating in unregistered states	Multi-state tax CPA — evaluate voluntary disclosure before action
Sales tax nexus uncertainty	Sales tax specialist (state and local tax / SALT)
Foreign entity registration questions	Business attorney familiar with the state