

MN/WI Reciprocity Termination Details

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With 2010 underway, employers in both Minnesota and Wisconsin are beginning to experience the implementation phase of the termination of the Minnesota/Wisconsin income tax reciprocity agreement. To further clarify some of the details related to this issue, please find links to both the Minnesota and Wisconsin Departments of Revenue web pages devoted to explaining the changes to reciprocity.

Many situations will fall under the straightforward rules that require an employer to simply change the state for withholding for an employee. However, employers are beginning to have specific questions that relate to their employee's individual circumstances, including minimum filing requirements for employees who work across the border. In these cases, the following points apply:

- 1) Wisconsin residents working in Minnesota will be required to file a Minnesota return if they earn \$9,350 or more in Minnesota source income.
- 2) Minnesota residents working in Wisconsin will be required to file a Wisconsin return if they earn \$2,000 or more in Wisconsin source income.
- 3) Employers are required to withhold income taxes on wages earned in the state in which the employee performs the work.
- 4) Employers are not required to withhold income taxes for the employee's home state if the employee does not perform any work for the employer in that state.
- 5) Employee's individual income tax circumstances can vary. Employees should consult their tax advisor to assist with determining what their filing requirements are for income tax purposes.

For additional information follow the links below or contact Elizabeth Bystrom, CPA, at ebystrom@hlbtr.com or 651-407-5809.

Minnesota Department of Revenue information for individuals and employers:
http://www.taxes.state.mn.us/taxes/other_supporting_content/wi_reciprocity.shtml

Wisconsin Department of Revenue information for individuals and employers:
<http://www.revenue.wi.gov/faqs/ise/mnrecipro.html>

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