

Issue: May 2015

# ETS Tax Intelligence: Sourcing of SUI Wages

## Situation

When an employee performs services in one state, proper reporting or “sourcing” of wages for state unemployment insurance (“SUI”) purposes is fairly simple; report the wages and remit taxes to that specific state. However, when an employee performs services in multiple states, employers are challenged with determining which state is the proper sourcing state.

## Solution

All states have adopted a uniform set of statutory factors to determine where SUI wages should be sourced. These “four factors” are applied in the order of priority presented below. They should be reevaluated, on an employee-by-employee basis, when there is a change in circumstances.

If none of the “four factors” apply, each respective state’s SUI sourcing provisions should be consulted, which may involve the use of interstate reciprocal coverage agreements that allow employers to choose the state of coverage.

## Value

Employers should carefully review current sourcing practices to assure SUI wages associated with multi-state employment are properly sourced. For more information on SUI sourcing or to discuss your company’s current SUI sourcing policies, please contact Pete Krieshok at (314) 214-7325 or via e-mail at [pete.krieshok@equifax.com](mailto:pete.krieshok@equifax.com). You can also visit our [corporate blog](#) for information on other employment tax matters that might impact your organization

### 1. LOCALIZATION OF SERVICES

Localization refers to the state in which the majority of services are performed, provided that work performed outside of that state is incidental. This factor covers most employees who report to the same job location with infrequent activities outside their work state.

Headquarters and services are localized within the state of Florida. Wages should be sourced to Florida.



### 2. BASE OF OPERATIONS

If services are regularly performed in more than one state, then proper SUI sourcing is the state in which the employee maintains a base of operations.

Headquarters are based in Florida, but the employee regularly performs services in other states. Wages should be sourced to Florida.



### 3. PLACE OF DIRECTION AND CONTROL

If an employee lacks a base of operations, SUI wages should be sourced to the state from which the employee receives direction and control provided the employee performs some of the services in that state.

Employee does not have a base of operation, but receives direction and control from Florida. Wages should be sourced to Florida.



### 4. RESIDENCE

If an employee cannot be categorized using any of the other three factors, SUI wages should be sourced to the employee’s state of residency provided the employee performs some services in his or her resident state.

This employee does not maintain a base of operations and does not receive direction or control from any particular state. In this case, wages should be sourced to the employee’s resident state, Alabama.

