

DATE: May 2019

TO: Memo to Files

FROM: Harold Berndt, Director Financial Reporting and Taxation, UM System

SUBJECT: State Withholding and Wage / Income Reporting

This memo is intended to clarify University's understanding and position for state withholding and reporting of state wages for employee's W-2s.

Withholding obligations for wages paid to University of Missouri employees

Missouri residents working in Missouri

For employees residing and working in Missouri, Missouri tax will be withheld based on how the MO W-4 is completed. The University will report state tax withheld to Missouri on the W-2 and report the total gross wages to Missouri.

Kansas residents working in Kansas

For employees residing and working in Kansas, Kansas tax will be withheld based on how the KS K-4 is completed. The University will report state tax withheld to Kansas on the W-2 and report the total gross wages to Kansas.

Missouri residents working in Illinois

Illinois is primarily an "all or nothing" state as it comes to withholding and reporting wages in Illinois. If the employee's primary work location is Missouri then no tax would be withheld for Illinois and no wages would be reported on the W-2 to Illinois. Things to consider for where the primary work location is, are for example, where is your primary office, where is your boss located, where are subordinates located etc. For example, a Missouri based employee may spend 30% of their time performing services in Illinois however their wages would not be reported or subject to withholding in Illinois.

Missouri residents working in Kansas

For employees residing in Missouri and working in Kansas, Kansas tax will be withheld based on how the KS K-4 is completed. The University will report state tax withheld to Kansas on the W-2 and report the total gross wages to Kansas and no withholding or gross wages would be reported to Missouri.

Illinois residents working Missouri

For employees residing in Illinois and working in Missouri, Missouri tax will be withheld based on how the MO W-4 is completed. The University will report state tax withheld to Missouri on the W-2 and report the total gross wages. No withholding or reporting to Illinois is necessary. (Per IL Pub 130, page 5 and 6)

Kansas residents working in Missouri

For employees residing in Kansas and working in Missouri, Missouri tax will be withheld based on how the MO W-4 is completed. The University will report state tax withheld to Missouri on the W-2 and report the total gross wages to Missouri. It is possible that the Kansas resident would have amount withheld for Kansas as well. This is because if the taxes withheld for Missouri are less than what Kansas would withhold on those wages the difference is withheld and submitted to Kansas. The W-2 would report the amount withheld for Missouri and the total gross wages to Missouri. A second page of the W-2 would result only reporting KS tax withheld and no wage to Kansas.

Withholding obligations for payments from the University of Missouri Pension Plan

Retirees who reside in Missouri

If the retiree resides in Missouri, withholding will be based on how the retiree completes the form MO W-4P. The retiree can elect to have no taxes withheld or may choose the amount they would like withheld. Taxes and gross amounts are reported on the 1099-R.

Retiree resides in Illinois

Illinois does not tax qualified retirement payments. If the University received a "Statement of Tax Responsibility" (STR) from the retiree, then state tax would not need to be withheld from those pension payments. State taxes and gross income amounts would not be reported on the 1099-R if the STR is received. If there is no STR then Missouri gross and withholding would be reported on the 1099-R.

Retiree who resides in Kansas

Kansas taxes qualified retirement contributions and requires withholding on distributions subject to federal income tax withholding. Kansas does not have a specific pension withholding allowance form. However, based on guidance from the Kansas Department of Revenue, an individual may use the Form K-4 to provide number of allowances and/or request additional withholding. If a Form K-4 is not provided to the University, the withholding should be done at single and zero allowances. Note an employee may elect out of federal income tax withholding and therefore Kansas income tax withholding would be exempted as well.

Retirees who reside in all other States

Retirees living in states other than Missouri, Illinois or Kansas would not have any taxes withheld as long as the University received a "Statement of Tax Responsibility" letter indicating that they do not reside in Missouri. If no STR is received, then gross income and withholdings will be reported for Missouri.