

Reciprocity

What is Reciprocity ?

Typical several State authorities have Reciprocal agreement between each other - if an employee of a company lives in one state and works in another state, then he may skip paying withholding taxes of the **Work** state. In other words, Employee will only pay Resident withholding taxes, if any.

Typical Reciprocity pertains to only withholding taxes, it does not pertain to taxes like FUTA, SUTA, Medicare or FICA taxes.

Over a period of time, these agreements between these state tax authorities do change, enforcing rules or no longer honor the

Challenges for Typical Payroll Software

How to handle these ever changing Reciprocity Rules. We, at MUDIAM, built intelli-rules based engine, which correctly excludes or includes WORK withholding tax, if Reciprocity is valid.

To demonstrate the powerful feature of our Tax Engine, in the following - examples, we will demonstrate real world scenarios to explain this feature of our nimble, state-of-art Payroll Engine.

Scenario I

For Example:

Virginia has signed reciprocal agreements with Maryland, and West Virginia under which this state will not tax the employee compensation, employer should compensate from the other states. This agreement is applicable only for the employee only.

What that means is that if you live in Virginia and work in a reciprocal state, your employer withholds and remits the income tax for your resident state. Because of the reciprocal agreement, you pay taxes to your state of residency. It is your responsibility to notify your employer that you are a resident of Virginia and that your employer should withhold Virginia tax from your pay and not the income tax of the reciprocal state.

If your out-of-state employer did not withhold Virginia tax, you file and report your compensation as taxable income to Virginia and pay the tax. If your employer withheld the other state's income tax, file for a refund of the tax from the other state. Under the reciprocal agreement, the other state cannot tax the compensation you earned there. The earlier you file for a refund, the more likely you will have your refund by the time your tax is due in your resident state.

You may not claim the Virginia Resident Credit for any tax you paid, or your employer withheld, and paid to the reciprocal state.

Person lives in Virginia and Works in West Virginia. Due to Reciprocity Agreement only Resident Tax

An Employee lives in Virginia and works in West Virginia is paid \$1000 a week. Withholding Tax 1000. Now we will compute Withholding tax for this input data as follows

↑
Input

Output

PayCheck Details

Include	Tax Type	Tax Authority	YTD Wages	YTD Taxes	Payment Date
<input type="checkbox"/>	Withholding Tax	VA	0	0	12/31/2010
<input type="checkbox"/>	Withholding Tax	WV	0	0	12/31/2010
<input type="checkbox"/>	ER Unemployment Tax (SUTA)	WV	0	0	12/31/2010

Resident Location: Virginia
Work Location: West Virginia

Employee Taxes	Employer Taxes
ER FICA Tax: 0.00	ER Medicare Tax: 0.00
Withholding Tax: 0.00	ER Unemployment Tax (FUTA): 0.00
EE FICA Tax: 0.00	ER Railroad Retir Tier I Social Security Tax: 0.00
EE Medicare Tax: 0.00	ER Railroad Retir Tier I Medicare Tax: 0.00
EE Railroad Retir Tier I Social Security Tax: 0.00	ER Railroad Retir Tier I Medicare Tax: 0.00
EE Railroad Retir Tier I Medicare Tax: 0.00	WorkLocation ER Unemployment Tax(SUTA): 0.00
EE Railroad Retir Tier I Social Security Tax: 0.00	WorkLocation EE Unemployment Tax: 0.00
Withholding Tax: 0.00	
Total EE Taxes: 78.00	

State Taxes

Withholding Tax: 48.20
EE Unemployment Tax: 0.00
ER Unemployment Tax (SUTA): 26.80
EE Retir Plan Medicare Tax: 0.00
ER Retir Plan Medicare Tax: 0.00
EE Retir Plan Social Security Tax: 0.00
ER Retir Plan Social Security Tax: 0.00

Net Pay

Gross Pay: 1000.00
Total Deductions: 222.00
Net Pay: 778.00

Ex: Person lives in Pennsylvania and Works in Washington Dc. Due to Reciprocity Agreement

Input

Output

PayCheck Details

Include	Tax Type	Tax Authority	YTD Wages	YTD Taxes	Payment Date
<input type="checkbox"/>	Withholding Tax	PA	0	0	12/31/2010
<input type="checkbox"/>	EE Unemployment Tax	PA	0	0	12/31/2010
<input type="checkbox"/>	Withholding Tax	DC	0	0	12/31/2010
<input type="checkbox"/>	ER Unemployment Tax (SUTA)	DC	0	0	12/31/2010

Resident Location: Pennsylvania
Work Location: Washington DC

Employee Taxes	Employer Taxes
ER FICA Tax: 0.00	ER Medicare Tax: 0.00
Withholding Tax: 0.00	ER Unemployment Tax (FUTA): 0.00
EE FICA Tax: 0.00	ER Railroad Retir Tier I Social Security Tax: 0.00
EE Medicare Tax: 0.00	ER Railroad Retir Tier I Medicare Tax: 0.00
EE Railroad Retir Tier I Social Security Tax: 0.00	ER Railroad Retir Tier I Medicare Tax: 0.00
EE Railroad Retir Tier I Medicare Tax: 0.00	WorkLocation ER Unemployment Tax(SUTA): 0.00
EE Railroad Retir Tier I Social Security Tax: 0.00	WorkLocation EE Unemployment Tax: 0.00
Withholding Tax: 0.00	
Total EE Taxes: 68.50	

State Taxes

Withholding Tax: 30.70
EE Unemployment Tax: 0.00
ER Unemployment Tax (SUTA): 37.00
EE Retir Plan Medicare Tax: 0.00
ER Retir Plan Medicare Tax: 0.00
EE Retir Plan Social Security Tax: 0.00

Conclusion:

On single mechanism for taxing we can calculate the reciprocity tax accurately.

About Us

We passionately develop business solutions, products and offer services to our customers. Our offerings cover the gamut of Payroll Systems, Taxes, Finance, Banking, Payment Cards, Business Process Optimization and HRIS (Human Resources). Our products include US Payroll Tax Engine, ACH Automation, Employee Verify (I-9) Automation, and real-time Credit Card Integration with ERPs like SAP®.

We help you address onshore and offshore technical resource requirements with contract, contract-to-hire and direct hire **our recruiting services (Staff Augmentation)**. We understand the challenges that many businesses face when looking for qualified staffing professionals. We make sure to respond to your needs with prompt, efficient, tailored services to exceed your recruitment expectations everyday and on every hire.

For our excellence in products/solutions - quality, commitment and services, **US Dept of Commerce**, awarded TWO years in a row 2009 and 2010 Houston, TX award for **Best Software and Services**

Our revolutionary state of art **US Payroll Tax Engine** is at <http://www.PayMyCheck.info>

Our real-time Employee verification system (**E-Verify**) is at <http://www.MudiamInc.com/I9Automation>

We, as SAP® Service Partner, help implement SAP® solutions in the areas of HRIS, Portals and Finance. We also host and support SAP® clients for post-production remote support using our expert level platinum resources that will help client in every possible way.

We, as Microsoft® ISV Partner, develop solutions for business community, a state of the art, ACH Automation product hosted as SaaS at <http://www.ACHbiz.com>



Contact Us

USA

9894 Bissonnet St Suite # 908,
Houston, Texas-77036.
Tel : 713-484-7266
Fax : 888-306-2062
Email : info@mudiaminc.com

In 2009 Award From Houston



INDIA

Maruthi Grandeur Plaza,
Suite #101, 6-3-456 / A / 20,
Punjagutta, Hyderabad-500082.
Tel : +91-040-6460-4575
Fax : 888-306-2062
Email : info@mudiaminc.com

In 2010 Award From Houston

