



EMPLOYER STATE AND/OR LOCAL TAX WITHHOLDING OBLIGATIONS

There are different circumstances for which the employer is obligated to withhold state and/or local taxes for Non-Appropriated Fund (NAF) civilian employees. (NAF employees are not considered military employees, even when working on a ship.)

An employer is obligated to report and withhold state and/or local taxes from an employee's wages for:

1. Every state where a business is operating.

IE: The business is located in California and the employer is required to withhold California state income tax from an employee's wages.

2. The state where an employee regularly resides, when that state is within the local commuting area of where the business is established.

IE: An employee lives in Maryland and commutes daily to the District of Columbia to work. However, when both the worked in state and lived in state have a state and/or local income tax, multistate employment withholding may be governed by reciprocal agreements between the states, so that an employee is not double taxed. There are some states that do not have reciprocal agreements, so an employer will withhold both states' taxes.

3. The state in which an employee derives income, to include working on a ship whose home port is in that state.

IE: The home port of a ship is Norfolk, Virginia and the employee berths and lives on the ship or in an apartment/house nearby. The employer is obligated to withhold Virginia taxes (employee derives income in Virginia) even though the employee has a permanent residence in another state that is not within commuting distance of the actual workplace. If the permanent residence is within commuting distance, then #2 above is applicable.

4. MSRRA. According to the Military Spouses Residency Relief Act (MSRRA), we can deduct an employee's resident state taxes if he/she is an accompanying spouse of an active duty military person stationed at one of our locations, if they both still maintain their domicile in their home state. In order to claim MSRRA, our employee must provide proof to his/her local Human Resources contact that: (1) he/she is an accompanying spouse and (2) proof of residency in his/her domicile state. A copy of the active duty military spouse's orders is sufficient proof for item (1) and either a copy of the couple's most recent state tax return or a copy of the employee's state driver's license is sufficient proof for item (2) to meet the MSRRA stipulations.

According to U. S. Code Title 5, Part III, Subpart D, Chapter 55, Subchapter II, 5517 we are not obligated to withhold state taxes for our employees for other than the above situations.

I acknowledge that I have received the above policy on State Tax Withholding Obligations and that I am responsible for keeping CNIC updated and informed of my residence to avoid tax complications. Any taxes owed due to non-compliance with the above policy will be the employee's responsibility.

SIGNATURE OF EMPLOYEE

DATE

SIGNATURE OF HUMAN RESOURCES REPRESENTATIVE

DATE