

## Wage Allocation on Federal Forms W-2

You must allocate wages earned by Minnesota residents to Minnesota in box 16 of federal Form W-2, regardless of where they physically performed the work. Allocate to Minnesota all wages earned while working in Minnesota **and** all wages earned while working in another state.

You must also allocate wages earned by non-Minnesota residents to Minnesota for work physically performed in the state. However, do not allocate wages to Minnesota for Michigan or North Dakota residents who provide you a completed Form MWR, *Minnesota Reciprocity Exemption Certificate*.

### Example 1

Daniel is a Minnesota resident working 50 percent in Minnesota and 50 percent in Iowa for your business. Daniel's annual wages are \$52,000. He earned \$26,000 in Minnesota and \$26,000 in Iowa.

As a Minnesota resident, Daniel pays Minnesota tax on income earned inside and outside of his home state. Therefore, you must allocate \$52,000 to Minnesota. Since Daniel also performed work and earned \$26,000 in Iowa, you must allocate \$26,000 to Iowa.

**Complete Daniel's Form W-2 State Detail as follows:**

Box 15 - State	Your State ID Number	Box 16 - State wages, tips, etc.
MN	XXXXXXXX	52,000.00
IA	XXXXXXXX	26,000.00

### Example 2

Mary is a Minnesota resident working 100 percent in Iowa for your business. Mary's annual wages earned in Iowa are \$52,000.

As a Minnesota resident, Mary pays Minnesota tax on income earned inside and outside of her home state. Therefore, you must allocate \$52,000 to Minnesota. Since Mary also performed work and earned \$52,000 in Iowa, you must allocate \$52,000 to Iowa.

**Complete Mary's Form W-2 State Detail as follows:**

Box 15 - State	Your State ID Number	Box 16 - State wages, tips, etc.
MN	XXXXXXXX	52,000.00
IA	XXXXXXXX	52,000.00

### Example 3

Nathan is a North Dakota resident working 100 percent in Minnesota for your business. Minnesota and North Dakota have a reciprocity agreement. Nathan completed and provided you Form MWR. Nathan's annual wages earned in Minnesota are \$52,000.

Nathan's wages earned in Minnesota are only taxable to his home state of North Dakota. Therefore, you will allocate all his wages to North Dakota and none to Minnesota.

**Complete Nathan's Form W-2 State Detail as follows:**

Box 15 - State	Your State ID Number	Box 16 - State wages, tips, etc.
ND	XXXXXXXX	52,000.00

### Example 4

Matthew is a Minnesota resident working 100 percent in North Dakota for your business. Minnesota and North Dakota have a reciprocity agreement. Matthew completed and provided you Form NDW-R (North Dakota's equivalent of Form MWR). Matthew's annual wages earned in North Dakota are \$52,000.

Matthew's wages earned in North Dakota are only taxable to his home state of Minnesota. Therefore, you will allocate all his wages to Minnesota and none to North Dakota.

**Complete Matthew's Form W-2 State Detail as follows:**

Box 15 - State	Your State ID Number	Box 16 - State wages, tips, etc.
MN	XXXXXXXX	52,000.00

### Example 5

Charlotte is a Minnesota resident working 100 percent in Texas for your business. Texas does not impose a state income tax on wages earned in Texas. Charlotte's annual wages earned in Texas are \$52,000.

As a Minnesota resident, Charlotte pays Minnesota tax on income earned inside and outside of her home state. Therefore, you must allocate the full \$52,000 to Minnesota. You will not allocate any wages to Texas because they do not tax Charlotte's wages.

**Complete Charlotte's Form W-2 State Detail as follows:**

Box 15 - State	Your State ID Number	Box 16 - State wages, tips, etc.
MN	XXXXXXXX	52,000.00