



(3) who performed employment duties in more than one state during the calendar year;  
and

(4) whose state of residence provides a substantially similar exclusion or does not impose  
an individual income tax, or whose income is exempt from taxation in Minnesota under the  
United States Constitution, or the Internal Revenue Code.

(f) "Time and attendance system" means a system through which an employee is required,  
on a contemporaneous basis, to record the employee's work location for every day worked  
outside the state where the employee's employment duties are primarily performed and is  
designed to allow the employer to allocate the employee's compensation for income tax  
purposes among all states in which the employee performs employment duties for the  
employer.

Subd. 3. **Withholding exemption; limitation.** (a) Wages paid to a qualifying nonresident  
individual are exempt from the withholding requirements under section 290.92, and the  
filing requirements under section 289A.09, subject to the limitations of paragraph (b).

(b) If during the taxable year, the number of days an employee spends performing  
employment duties in Minnesota exceeds the 30-day threshold under subdivision 1, the  
withholding requirements under section 290.92, and the filing requirements under section  
289A.09, apply for every day in that calendar year, including the first 30 days, on which  
the employee performs employment duties in Minnesota.

Subd. 4. **Employers; application of penalties.** The commissioner shall not apply  
penalties or interest otherwise applicable under chapter 289A for failing to deduct and  
withhold income taxes as required under section 290.92, if when determining whether  
withholding was required, the employer met either of the following conditions:

(1) the employer at its sole discretion maintains a time and attendance system and relied  
on data from that system; or

(2) if the employer does not maintain a time and attendance system, and the employer  
relies on either:

(i) the employer's own records maintained in the regular course of business of the  
employee's location; or

(ii) the employee's reasonable determination of the time the employee expected to spend  
performing employment duties in Minnesota, the employer has no actual knowledge of  
fraud by employee in making the determination, and the employer and the employee did  
not collude to evade taxation in making the determination.

3.1        **Subd. 5. Timing of employment duties performed.** For the purposes of this section,  
3.2        an employee shall be considered to be performing employment duties within Minnesota for  
3.3        a day if the employee performs more of the employee's employment duties in Minnesota  
3.4        than in any other state during that day. Any portion of the day during which the employee  
3.5        is in transit must not be considered in determining the location of an employee's performance  
3.6        of employment duties.

3.7        **Subd. 6. Severability.** If any provision of this section or the application of a provision  
3.8        of this section to any person or circumstance is held to be unconstitutional, then all other  
3.9        provisions of this section shall remain valid and any rights, remedies, and privileges that  
3.10       have been otherwise accrued by this section shall remain in effect, and may be proceeded  
3.11       with and concluded under the provisions of this chapter or other applicable law.

3.12       **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.13       31, 2023.