

¶ 55,260. Interstate Transportation Employees

Special considerations involve the taxation of employees involved in interstate taxation. Federal rules have been promulgated because of the unique multijurisdictional nature of the activities of such employees.

Interstate air carrier employees: Compensation paid by an air carrier to employees having regularly assigned duties on aircraft in more than one state for their services, including compensation paid by an air carrier to employees in connection with their authorized leave or other authorized absence from regular duties on the carrier's aircraft in order to perform services on behalf of their employee's airline union, is subject to income taxation only by: (1) the state (defined as any U.S. state, the District of Columbia, and any U.S. territory or possession) or political subdivision of the state that is the residence of the employee; (2) the state or political subdivision of the state in which such employee earns more than 50% of the pay which such employee received from the carrier during the preceding calendar year; and (3) the state or political subdivision of the state in which such employee's scheduled flight time would have exceeded 50% of such employee's total scheduled flight time for the calendar year had such employee been engaged full time in the performance of regularly assigned duties on the carrier's aircraft. [49 USCS 40116(f)(2); 49 USCS 40116(f)(3) ; 49 USCS 40116(f)(1)(A); 49 USCS 40116(f)(1)(B).] An air carrier employee is considered to have earned more than 50% of his or her pay in a particular state or subdivision if the time worked by that employee within such state or subdivision exceeds 50% of the total time worked by that employee while employed during the calendar year. [49 USCS 40116(f)(1)(C).]

Interstate seamen and ship crew members: Federal law, P.L. 106-489, effective November 9, 2000, prohibits states and localities from imposing their income taxes on compensation paid to nonresidents for manning vessels operating on the navigable waters of more than one state. Only the state and locality of residence are allowed to tax the compensation of masters, officers, and crew members for performing regularly-assigned duties on vessels operating on the navigable waters of more than one state. The same restriction applies to the income of individuals for performing assigned duties on a vessel in more than one state as a licensed pilot. [46 U.S.C. §11108(b); Miscellaneous Multistate Materials ¶ 11108(b).]

Interstate railroad employees: Compensation paid by rail carriers providing transportation subject to the jurisdiction of the Surface Transportation Board, under 49 USC §§ 10101 et seq., to employees who perform their regularly assigned duties on a railroad in more than one state is subject to income taxation only by the state and the subdivision of the state of an employee's residence. [49 USCS 11502(a).]

Rail carriers withholding pay from employees who perform their regularly assigned duties on a railroad in more than one state are required to file income tax information returns and other reports only with the state and the subdivision of the state of an employee's residence. [49 USCS 11502(a).]