

**Insights**

## **CITY OF ST. LOUIS MAKING EARNINGS AND PAYROLL TAX REFUNDS FOR WORK FROM HOME COMPENSATION**

Jun 20, 2024

### **SUMMARY**

The City of St. Louis has reached an agreement with the plaintiffs in *Boles v. City of St. Louis*, Case Number ED 111495 in which the Collector of Revenue of the City has agreed to process refunds for Earnings Taxes paid by or on behalf of employees who worked outside of the City beginning with the pandemic year 2020 through 2023. The City also has agreed to process refund of Payroll Expense Taxes paid by employers with respect to such employees.

The Earnings Tax is imposed at a rate of one percent of the compensation paid to employees residing outside of the City for work performed inside of the City. Historically, the City provided refunds of Earnings Tax withheld by employers when employees worked outside the City (whether from their home or other locations outside the City). The City changed its interpretation of the law during the Pandemic and denied refunds where employees worked from a home outside of the City.

The Payroll Expense Tax is imposed upon employers at a rate of one-half of one percent of the compensation paid to employees residing outside the City for work performed inside the City. As with the Earnings Tax, the City did not historically impose the tax with respect to time spent by employees working outside the City and changed its interpretation to impose the tax when employees worked from a home outside of the City.

After having its pandemic driven interpretation of the Earnings Tax law rejected by both the St. Louis City Circuit Court and the Missouri Eastern District Court of Appeals, the City has agreed to pay refunds of both Earnings Tax and Payroll Expense Tax with respect to compensation paid to employees working from home. The City will pay refunds for all requests that have been denied since 2020.

Those who have not filed refund requests may do so (even though they would otherwise be technically outside the statute of limitations) for the 2020-2023 period between July 1 and October 31, 2024.

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BCLP is uniquely situated to assist taxpayers and employers in seeking refunds of the Earnings Tax and the Payroll Expense Tax. BCLP has been representing clients seeking refunds of overpaid Payroll Expense Tax and has worked with employers in assisting employees with Earnings Tax issues.

Many employees working inside the City but residing outside the City will have questions about the refunds after the press reports on the issue. BCLP can assist employers in responding to these questions by their employees, determining the scope of potential refunds and assisting in the filing of the necessary forms with the City.

## **RELATED PRACTICE AREAS**

- Tax Advice & Controversy

## MEET THE TEAM



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