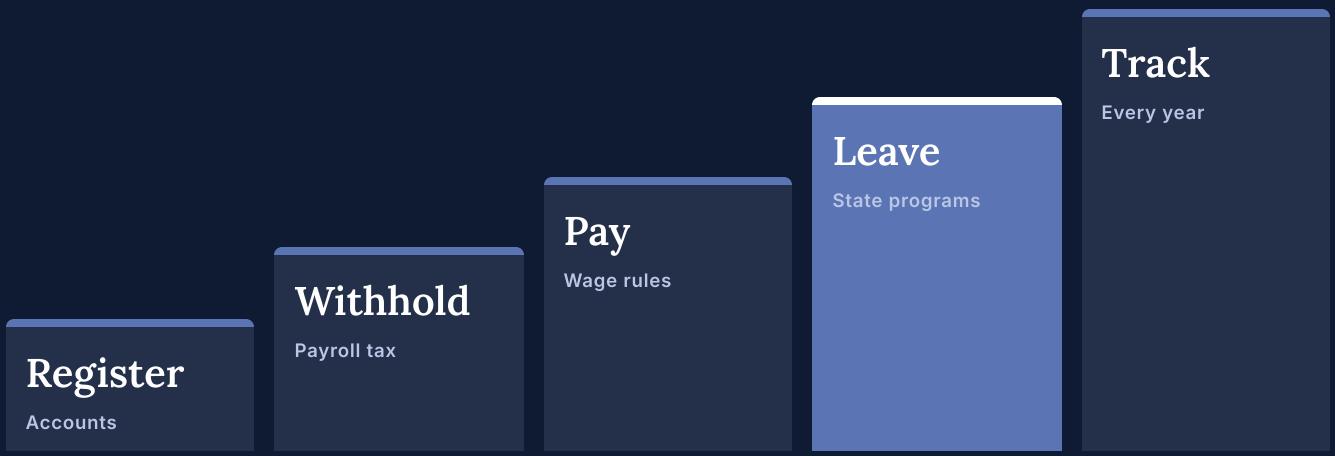
Herrera
HR GROWTH PARTNERS

FOUNDER FIELD GUIDE

THE MULTI-STATE EMPLOYER GUIDE

One remote hire, *a whole new set of rules.*

What changes when you hire in a second, fifth or fifteenth state: registrations, payroll tax, pay and leave rules, policies, and a simple system to keep it all current.



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A NOTE BEFORE YOU START

Most companies don’t decide to become multi-state employers. They hire one great person who happens to live in Colorado.

That one hire can mean new tax accounts, a different minimum wage, a state paid leave program, new posters and a handbook that no longer fits. None of it is hard on its own. The trouble is that nobody owns it, so it gets missed until a tax notice or an employee complaint shows up.

This guide gives you the checklist for each new state and a simple way to keep track as rules change. For each state’s headcount thresholds, see the HR requirements by state pages at herrerahr.com/hr-requirements.

Peter Herrera

Founder, Herrera HR Growth Partners

SECTION 01

Why a new state changes everything

As a general rule, employment law follows the employee. Someone working from their home in another state is usually covered by that state's wage, leave and safety laws, not the laws where your office is.

What one out-of-state employee can trigger

AREA	WHAT CHANGES
Registrations	State income tax withholding, unemployment insurance, new hire reporting and often a business registration with the secretary of state
Pay	Minimum wage, overtime rules, how often you pay, pay stub contents and final paycheck timing
Leave	Paid sick leave, state family leave and paid family and medical leave insurance
Hiring	Pay ranges in job postings, salary history bans, background check rules
Policies and training	State handbook sections, required posters and notices, harassment prevention training
Insurance	Workers' compensation coverage that includes the new state
Contracts	Whether your noncompete and other agreements are enforceable there

Know where your people are

Most multi-state problems start with an employee who moved without telling anyone. Require approval before anyone changes the state they work from, even temporarily, and check addresses against payroll twice a year.

Headcount thresholds count differently

Some state laws apply from the first employee in that state. Others count your total headcount everywhere. Read each law's definition before you decide it doesn't apply to you yet.

SECTION 02

Your first hire in a new state

Start four to six weeks before the start date. Some state accounts take weeks to issue, and you need them before the first payroll.

TASK	WHEN	NOTES
Business registration	Before work starts	Many states expect a company doing business there to register with the secretary of state. Having an employee can count. Ask counsel or your accountant
State withholding account	Before first payroll	Required in states with an income tax. Some cities and counties have their own
Unemployment insurance account	Before first payroll	Usually with the state where the employee works. Your new-employer rate comes with it
New hire report	Within 20 days of hire (sooner in some states)	Your payroll provider may file it. Confirm. Multistate employers can choose to report all hires to one state
Paid leave program	Before first payroll	Register for the state's paid family and medical leave program, if it has one, and set up deductions
Workers' compensation	Before work starts	Confirm your policy covers the new state, including employees working from home
Payroll setup	Before first payroll	Correct work location, pay frequency, minimum wage and overtime rules
Offer letter and onboarding	With the offer	State-specific wage notices, pay range disclosures, and the state's new hire forms
Posters and notices	First day	State posters, delivered electronically to remote employees
Handbook	First day	Add a state supplement covering leave, pay and other state rules

> ### Using a PEO?
>
> A PEO can register you and run payroll in the new state, but it doesn't make your handbook, offer letters or noncompetes fit. Ask exactly which state obligations they take on, and which stay with you.

SECTION 03

Payroll tax across state lines

The starting point: withhold income tax for the state where the work is physically done. Then check for the exceptions below.

Reciprocity

Some neighboring states have agreements so you withhold only for the employee's home state, usually after they file an exemption form.

Convenience rules

A few states tax nonresidents who work remotely for an office there, unless the remote work is required by the employer.

Business travel

Short trips into another state can create a withholding duty there. Some states allow a number of days before it applies.

Local taxes

Some cities and counties have their own income or payroll taxes.

The convenience of the employer rule

New York, Pennsylvania, Delaware, Nebraska and Alabama apply a version of this rule, and Connecticut and New Jersey apply it to residents of states that have one. If you have an office in one of these states and someone works remotely from another state by choice, their wages may be taxed by the office state. Your employee may get a credit at home, but not always for the full amount. Talk with your payroll provider or CPA before you approve a move.

Unemployment: one state, not several

Unemployment insurance generally goes to one state per employee, even if they work in several. States use the same order of tests:

1. **Localization:** where the work is mostly done, with only temporary work elsewhere.
2. **Base of operations:** if work is spread out, where they start from and return to.
3. **Direction and control:** if that's unclear, where they're managed from.
4. **Residence:** the state they live in, if they do some work there.

> ### Check your settings
>
> Most multi-state tax errors are payroll setup errors: a remote employee still coded to the office address. Review every employee's work location in payroll at least twice a year.

SECTION 04

Pay rules that change at the border

When state and federal law differ, you follow whichever is more generous to the employee.

RULE	HOW STATES DIFFER
Minimum wage	Many states and cities set rates above the federal $7.25, and many adjust them every January
Overtime	Some states require daily overtime (California, for example), not just over 40 hours a week
Exempt salary levels	Some states set a higher minimum salary for exempt employees than federal law
Pay frequency	States set how often you must pay: weekly, biweekly or semimonthly, sometimes by type of job
Final pay	Some states require the final paycheck on the last day; others allow the next payday
Unused vacation	Some states require paying out accrued vacation at separation, and some ban “use it or lose it”
Meal and rest breaks	No federal requirement, but many states require them
Expense reimbursement	A number of states, including California and Illinois, require reimbursing necessary work expenses

Pay ranges in job postings

More than a dozen states plus D.C. now require pay ranges in job postings, including California, Colorado, Washington, New York, Illinois, Minnesota, Massachusetts, New Jersey, Vermont, Hawaii and Maryland. Virginia’s law took effect in July 2026, and Delaware’s takes effect in September 2027. Several apply to remote jobs that could be filled by someone in that state.

> ### The simple rule for remote roles
>
> If a role can be done from anywhere, post a good-faith pay range on every posting. It’s easier than tracking which state’s law applies to each listing, and candidates expect it.

SECTION 05

Leave, benefits and policies

Paid sick leave

About 20 states plus D.C. require paid sick leave, and many cities and counties add their own. Many apply from the first employee. Rules differ on accrual, caps, carryover, how employees can use it and how much notice they give. Recent changes: Alaska and Nebraska added requirements in 2025, Missouri repealed its voter-approved law in 2025, and Connecticut's law expands to all employers in January 2027.

> **One PTO policy or one per state?**
>
> A single, generous PTO policy can satisfy several states at once, but only if it meets each state's rules for use, carryover and payout. Check it state by state before you rely on it.

Paid family and medical leave insurance

A growing number of states run paid family and medical leave programs funded through payroll contributions. Employers register, withhold or pay contributions, post notices and, in many states, protect the employee's job during leave.

STATUS	STATES
Benefits already paid	California, Colorado, Connecticut, Massachusetts, New Jersey, New York, Oregon, Rhode Island, Washington and D.C.
Benefits started in 2026	Delaware and Minnesota (January) and Maine (May)
Coming next	Maryland (contributions from 2027, benefits in 2028) and Virginia (benefits in December 2028)

Dates and rules change. Confirm with each state's program before you register or set deductions.

Benefits

Check that your health plan's network works where your employees live, and that small-group or state continuation rules, often called mini-COBRA, are covered for each state.

Noncompetes and other agreements

The FTC's nationwide noncompete ban never took effect; a court blocked it in 2024, and the FTC dropped its appeal in 2025. That leaves the states, and they're moving fast.

- **Banned for most employees:** California, Minnesota, North Dakota and Oklahoma, plus Wyoming since 2025. Washington moves to a near-total ban on June 30, 2027.
- **Allowed only above a salary level:** states including Colorado, Illinois, Oregon, Washington (until its ban), Maine, Maryland and D.C., with thresholds that often change every year.
- **New limits in 2026:** Tennessee and Virginia added new restrictions in July 2026.

A single company-wide agreement rarely fits every state. Use state versions, and rely on confidentiality and customer non-solicitation terms where noncompetes aren't allowed.

Policies, training and notices

ITEM	WHAT TO DO
Handbook	Keep a core handbook for everyone and add a supplement for each state
Harassment training	Required in several states, including California, New York, Illinois and Connecticut, with set content and timing
Posters	Post state and federal notices at each worksite and send them electronically to remote employees
Pay notices	Some states require written pay details at hire or when pay changes
Electronic monitoring	New York, Connecticut and Delaware require notice before monitoring email, phone or internet use

Your Illinois policies don't travel

Copying your home state's handbook to a new state is the most common gap I see. Write state supplements before the first hire starts, not after the first question.

SECTION 06

Run it as a system

State rules change every January and July. A one-page tracker, reviewed on a schedule, beats memory every time.

Your state tracker

STATE	EMPLOYEES	TAX AND UI ACCOUNTS	PAID LEAVE PROGRAM	SICK LEAVE RULE	HANDBOOK SUPPLEMENT	LAST REVIEWED
Illinois	12	✓	n/a	Any reason	✓	Jan 2027

The review calendar

December

Check January changes: minimum wage, exempt salaries, sick leave and paid leave contribution rates.

June

Check July changes, which many states use as an effective date.

Twice a year

Compare every employee's work address with payroll and tax settings.

Every new state

Run the checklist on page 4, four to six weeks before the start date.

> **Decide where you'll hire**
>
> Some companies keep a list of approved states and hire only there. It cuts registrations and keeps policies manageable. If you hire anywhere, budget the time each new state takes.

Score your multi-state readiness

Answer yes only if it’s true today, for every state where you have employees.

1	We know which state every employee works from, and employees need approval to move.	YES	NO
2	We have withholding, unemployment and paid leave accounts in every state where we have employees.	YES	NO
3	Payroll shows the correct work location for every employee.	YES	NO
4	Pay, overtime, pay frequency and final pay follow each state’s rules.	YES	NO
5	Our handbook has a supplement for every state.	YES	NO
6	Our job postings include pay ranges where required.	YES	NO
7	Our noncompete and other agreements are written for each state.	YES	NO
8	Someone reviews state changes every December and June.	YES	NO

COUNT YOUR YES ANSWERS

8
In good shape. Keep the review calendar going.

5–7
Some gaps. Start with work locations and registrations.

0–4
Real exposure, often in back taxes and penalties. Let’s map your states first.

If you find a gap

Fix it going forward right away, then work with your CPA or counsel on the past. Many states have voluntary disclosure programs that can reduce penalties for back taxes, and it’s far better to come forward than to wait for a notice.

SECTION 07

How I help

I lead HR for growing companies on a fractional basis, on one fixed monthly retainer. When you hire in a new state, I make sure everything that comes with it is handled, and I keep watching the rules after that.

- A map of your states and what each requires
- New-state setup with your payroll provider or PEO
- State handbook supplements, notices and training
- Offer letters and agreements that fit each state
- December and June reviews of what changed
- Coordinating with your CPA and counsel

20+ years of HR leadership	**4 industries** financial services, healthcare, hospitality and tech	**2 companies** where I built HR from scratch	**1 to 250** employees: the companies I serve



ABOUT PETER HERRERA

I've spent more than 20 years leading HR in financial services, healthcare, hospitality and tech, including building the HR function from scratch at two companies. I founded Herrera HR Growth Partners to give growing companies senior HR leadership on a monthly retainer, for a fraction of the cost of a full-time hire. I'm based in Chicago and work with companies across the U.S.

SOURCES

1. Federal Trade Commission, Noncompete Rule (ftc.gov); state agency guidance for paid leave programs, withholding and unemployment insurance.
2. Delaware Code title 19 §705; New York Civil Rights Law §52-c; Connecticut General Statutes §31-48d.

YOUR NEXT STEP

Hiring in a new state? *Let's map what it takes.*

Bring your list of states and your readiness score from page 10 to a free intro call.

FREE 20-MINUTE INTRO CALL

What you'll leave with

- What each of your states requires that you may be missing
- The order to fix it in, starting with the biggest risk
- How a monthly retainer would work for a company your size

No pitch deck, no obligation. If you don't need me, I'll tell you.

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