

NONRESIDENT WITHHOLDING PROCESS

Nonresident Withholding Process		
Phase	Forms to use	Phase Tasks
Before withholding agent makes payment to nonresident payee	FTB Form 590, Withholding Exemption Certificate	Payee who is a California resident or a business with resident status can use Form 590 to certify exemption from nonresident withholding. No withholding required with a valid withholding exemption certificate. Withholding agent keeps a copy of Form 590 in records.
	FTB Form 588, Nonresident Withholding Waiver Request	Nonresident payee who qualifies can use Form 588 to get a waiver from withholding based generally on California tax filing history. Form 588 must be submitted at least 21 business days before payment is made. Withholding agent keeps a copy of the waiver certificate in records. No withholding required with a waiver certificate.
	FTB Form 589, Nonresident Reduced Withholding Request	Nonresident payee can use Form 589 to itemize expenses against the California source income. Form 589 must be submitted at least 21 business days before payment is made. FTB provides withholding agent a letter stating the reduced withholding amount.
At the time withholding agent makes payment to nonresident payee	(There are no FTB forms to use, but withholding agents will develop their own internal processes for withholding.)	Withholding agent withholds 7% of all California source payments to a nonresident payee that exceed \$1,500 in a calendar year, unless payee qualifies for reduced or waived withholding.
After withholding agent makes payment to nonresident payee	FTB Form 592, Resident and Nonresident Withholding Statement	After making a payment to a nonresident payee, withholding agent sends FTB a timely Form 592, either electronically or by mail. The 592 contains a list of all payees withheld upon during the filing period. FTB posts the withholding to the payees' accounts.
	FTB Form 592-V, Payment Voucher for Resident and Nonresident Withholding	Withholding agent remits Form 592-V with payment when submitting a completed Form 592 to FTB.
	FTB Form 592-B, Resident and Nonresident Withholding Tax Statement	By January 31 following the end of the calendar year, withholding agent sends each payee a completed 592-B and keeps a copy for records. A payee claims the withholding by attaching a copy of the 592-B when filing the required California tax return. The 592-B is proof of California source income and withholding credit.

 **Website**

To download a copy of this chart, go to:
www.caltax.com/spidellweb/public/editorial/NRwithholding.pdf