Date: June 12, 2013

TO: Business Managers

FROM: Michael S. Quesada, Tax Compliance Officer

SUBJECT: Tax Withholding on Payments to Non-California Residents/Vendors with California Source Income

Per California tax law, Pacific is required to withhold 7% from all payments of California source income made to a non-California resident vendor when the total payments to the vendor are greater than $1,500 for the calendar year. Unless, Pacific receives authorization from the California Franchise Tax Board to waive or reduce the withholding amount.

Generally, the withholding applies to payments for services performed within the state. The withholding does not apply to payments for goods.

If a department would like to include information regarding California source withholding requirements in its correspondence with a vendor, the following language should be used:

“If you are a vendor who is not a resident of California and are receiving payments from Pacific greater than $1,500 for the calendar year, then you may be subject to California source income tax withholding. For general guidance, you may refer to the latest edition of CA FTB Pub. 1017, Nonresident Withholding Guidelines, which is available through the CA FTB website at the following link: [http://www.ftb.ca.gov](http://www.ftb.ca.gov). Please consult with an outside tax advisor if you are uncertain whether you qualify for a waiver or reduced withholding as Pacific does not provide tax advice. If you have any general questions regarding how Pacific will process your payment, please contact Accounts Payable at 209-946-2156.”

Departments may also provide the vendor with the attached, courtesy of the CA FTB, that provides an overview of the tax withholding requirements.

If you have any questions, please contact Accounts Payable, ext. 62156. Thank you for your assistance with these important compliance efforts.
Withholding on Nonresidents With California Source Income

Who is subject to withholding?
If you are a nonresident of California who receives income from sources in California, the payer who pays you must withhold and send us 7 percent of all payments that exceed $1,500 in a calendar year. (California R&TC Section 18662)

Types of income subject to withholding
As a nonresident of this state, withholding applies to you if you receive California source income in any of the following circumstances:

- You performed services in California.
- You received other types of nonwage payments.

What the payer must do
The payer who pays you must:

- Withhold 7 percent of the payment at the time of the California source income payment, when applicable.
- Report and send withheld amounts to us. We will credit the withholding to your account.

The payer must also give you a written withholding tax statement, Form 592-B, Resident and Nonresident Withholding Tax Statement, indicating the:

- Amount you were paid.
- Amount withheld from payments to you.

The payer must provide you this statement at least once yearly, by January 31 following the end of the calendar year in which you were paid.

What you must do
As a nonresident recipient of California source income, you must file a California tax return to claim your withholding credit at the end of the year. When you file your tax return, attach the withholding tax statement (Form 592-B) the payer gives you as proof of that credit. To get further information about our tax forms and filing requirements, go to ftb.ca.gov.

Reduced or waived withholding
Under certain circumstances, you may be eligible for reduced or waived nonresident withholding. For information on how to request either of these, go to ftb.ca.gov and search for the following California withholding forms:

- Form 589, Nonresident Reduced Withholding Request.
- Form 588, Nonresident Withholding Waiver Request.

For California withholding forms, publications, and other help

- Go to ftb.ca.gov and search for withholding.
- Refer to FTB Publication 1017, Resident and Nonresident Withholding Guidelines.
- Call 888-792.4900 from within the United States, or 916.845.4900 from outside the United States.
- Email wscs.gen@ftb.ca.gov. Type nonresident withholding in the subject line. This is not a secure email address. Do not send confidential information.