STATE OF CALIFORNIA
WITHHOLDING SERVICES AND COMPLIANCE MS F182
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-8888

2008 Nonresident Withholding Incentive Program Application

Application Note: Franchise Tax Board (FTB) offers this 2008 Nonresident Withholding Incentive Program (NWIP) to withholding agents who are first-time filers and remitters of nonresident, nonwage withholding. We provide you with step-by-step instructions to complete the application. Please review the NWIP Information Sheet (beginning on page 4 of the application), 2008 Form 592 instructions, 2008 Form 592-B instructions, and FTB Publication 1017 before completing this application. This program does not apply to real estate withholding.

Step 1 Complete the boxes below with the withholding agent's information (first-time withholding agents only):

Name of Withholding Agent	Withholding Agent Fax Number ( )		SSN or ITIN
Address (include Suite, Room, PO Box, or PMB No.)			FEIN or CA CORP No.
City	State	Zip Code	Daytime Telephone Number ( )
SIC Code (From Tax Return)			

Step 2 For each quarter of 2008, complete a 2008 Form 592, *Quarterly Nonresident Withholding Statement:*

a) Use the online calculator to calculate the gross-up quarterly compensation and the total withholding amount (see Section E, Calculation of Gross-Up Quarterly Compensation and Amount of Tax Withheld, in the Information Sheet).
b) Enter the “Total Quarterly Income” and “Amount of Tax Withheld” on Form 592.
c) Repeat this process for each nonresident payee.
d) Annotate **"NWIP"** on the top of each 2008 Form 592 to assist FTB with processing.

Step 3 For each payee that you paid in 2008, complete a 2008 Form 592-B, *Nonresident Withholding Tax Statement:*

a) From the Forms 592, add the “Total Quarterly Income” and “Amount of Tax Withheld.”
b) Complete a 2008 Form 592-B, *Nonresident Withholding Tax Statement.*

Step 4 Complete the "Summary of 2008 Forms 592 and Total Amount Remitted to FTB" on page 2:

a) For each quarter, insert the Amount of Tax Withheld (Column A), Interest (Column B) (see Section F, Calculation of Interest for the Summary of 2008 Forms 592, in the Information Sheet), and 2008 Total Remittance (A) and (B).
b) Attach your completed 2008 Forms 592 and your consolidated remittance to this application.

Summary of 2008 Forms 592 and Total Amount Remitted to FTB

Reported on Forms 592	Remittance Due Date	(A) Amount of Tax Withheld	(B) Interest
2008 Quarter 1 *(1/1 - 3/31/08)*	4/15/08	.00	.00
2008 Quarter 2 *(4/1 - 5/31/08)*	6/16/08	.00	.00
2008 Quarter 3 *(6/1 - 8/31/08)*	9/15/08	.00	.00
2008 Quarter 4 *(9/1 - 12/31/08)*	1/15/09	.00	.00
Total Amounts		.00	.00
2008 Total Remittance (A) and (B)		.00	

Step 5 For each payee, complete a 2008 IRS Form 1099-MISC, *Miscellaneous Income*:

a) Using the Forms 592-B, enter the "Total income subject to withholding" amount (including the gross-up compensation amount) in Box 7, “Nonemployee compensation,” of the 2008 IRS Form 1099-MISC.
b) Provide a completed 2008 IRS Form 1099-MISC to the IRS.

Step 6 Provide each payee with:

a) A completed 2008 IRS Form 1099-MISC, *Miscellaneous Income*.
b) A completed 2008 Form 592-B, *Nonresident Withholding Tax Statement*.
c) An explanation of additional compensation (see Section G, Explanation of Additional Compensation, in the Information Sheet).

Step 7 Complete the Application Statement:

Under penalty of perjury, I declare that I have examined this application, including the attached Forms 592 and remittances, and to the best of my knowledge and belief, they are true, correct, and complete. I am a first-time filer and remitter of nonresident, nonwage withholding to FTB. By signing below, I agree to comply with the terms of the 2008 NWIP, and agree to do all of the following:

1. Timely comply with future nonresident, nonwage withholding requirements.
2. Attach to this application, the completed 2008 Forms 592, *Quarterly Nonresident Withholding Statement*, for each 2008 quarter.
3. Provide the IRS and each payee with a completed 2008 IRS Form 1099-MISC, *Miscellaneous Income*, which includes the gross-up compensation.
4. Provide each payee with a completed 2008 Form 592-B, *Nonresident Withholding Tax Statement*.
5. Provide each payee with an explanation of additional compensation for 2008 IRS Form 1099-MISC and 2008 Form 592-B.
6. Include the required withholding for the four quarters, plus interest, with this application. If there is an underpayment amount, I agree to pay by the due date specified in FTB's statement of amount due. If I do not pay by the due date, I will not be accepted in to the program. FTB will retain the remittance received for the late withholding and apply any penalties.
7. Make all books and records available to FTB upon reasonable notice for purposes of verifying the factual representations made in 2008 Forms 592 and any previous e-mails and/or correspondence related to this 2008 NWIP.

Name and title of Withholding Agent (type or print)	Signature of Withholding Agent Date
Name of Preparer Company (type or print)	Signature of Preparer other than above Date
Name and title of individual Preparer other than above	SSN/FEIN/PTIN of Preparer
Address of Preparer	( ) Daytime telephone number of Preparer

Mail the completed NWIP application, Forms 592 (each marked "NWIP" at the top), and required withholding for the four quarters, plus interest, by March 16, 2009, to the following address:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-8888

Nonresident Withholding Incentive Program (NWIP) Information Sheet

Use the following information to assist you in completing the NWIP application.

A General Information

FTB's withholding requirements are based on California Revenue and Taxation Code Sections 18662 to 18668. For detailed information on the withholding requirements and thresholds, see FTB Publication 1017. FTB's 2008 NWIP is a voluntary incentive program for eligible withholding agents to remit past-due nonresident, nonwage withholding for tax year 2008, plus interest, by **March 16, 2009**. Eligible withholding agents are first-time filers and remitters of nonresident, nonwage withholding to FTB. The NWIP does not apply to real estate withholding. Nonwage compensation includes:

- Interest and dividends
- Rent and royalties
- Prizes and winnings
- Premiums and annuities
- Compensation for personal services
- Other fixed or determinable annual or periodical gains, profits, and income

In this program, the withholding agent remits the past-due 2008 withholding on behalf of the nonresident payee and pays the interest due. The tax payment made by the withholding agent is additional 2008 compensation to the nonresident payee and is to be included in the 2008 IRS Form 1099-MISC and the 2008 Form 592-B. As an incentive, if the NWIP application is completed, and past-due withholding amounts are fully paid, including interest, we agree to waive 2008 penalties based on reasonable cause for the following:

- Failure to file correct information returns for Form 592.
- Failure to file correct information returns for Form 592-B.

While we may review and/or audit for 2008 NWIP compliance, we agree not to audit nonresident withholding for the 2007 tax year and earlier. We will only assess penalties and/or audit prior years if:

- You fail to comply with the terms of the 2008 NWIP.
- Additional information becomes available indicating the information reported is not complete or accurate.

Withholding agents may deduct the amount remitted on their tax returns.

Nonresident payees should include the additional compensation as income and may claim the California withholding on their 2008 California tax return.

B Reasons for this Program

FTB made significant changes in 2008, particularly with regard to our nonresident, quarterly withholding program and our audit compliance program. New withholding requirements are also effective January 1, 2009, with the enactment of Assembly Bill 3078. In order to provide a greater degree of awareness and to enhance compliance for new withholding agents, we are offering this year-end 2008 voluntary NWIP. Beginning in 2009, we will solicit information from all sources to increase compliance in future years.

C Eligibility

FTB offers the 2008 NWIP to withholding agents who are first-time filers and remitters of nonresident, nonwage withholding. The program does not apply to real estate withholding. Withholding agents must submit the signed application, 2008 Forms 592, and all past-due nonresident, nonwage withholding amounts for the 2008 tax year, plus interest, to FTB by March 16, 2009. Early submission is encouraged.

D How to Participate

To participate in the 2008 NWIP, mail a completed application, the completed Forms 592 (each marked "**NWIP**" at the top), and the required withholding amount, plus interest, by March 16, 2009, to the following address:

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In addition, provide:

- The IRS with a completed 2008 IRS Form 1099-MISC, *Miscellaneous Income*, which includes the gross-up compensation.
- Each payee with a completed 2008 IRS Form 1099-MISC, *Miscellaneous Income*, and a completed 2008 Form 592-B, *Nonresident Withholding Tax Statement*, along with an explanation of additional compensation.

Upon receipt of the completed application, forms, and the required withholding amounts, plus interest, we will send you a letter acknowledging your participation in the 2008 NWIP.

E Calculation of Gross-Up Quarterly Compensation and Amount of Tax Withheld

Because you have not previously withheld during 2008, the quarterly withholding payments remitted in this program constitute additional 2008 income for the nonresident payee. This is called "gross-up quarterly compensation."

We created an online calculator to calculate the gross-up quarterly compensation and amount of tax withheld.

If you are unable to access the online calculator, we provide instructions and examples below to assist you in calculating the gross-up quarterly compensation and amount of tax withheld:

- Calculate the gross-up quarterly compensation for each payee by dividing the amount paid during the quarter by .93 (round the result to the nearest dollar). Enter this amount in Form 592, "Total Quarterly Income."

  Example: The payee received $10,000 for services performed in California during 2008. The withholding agent did not withhold and remit to FTB. The gross-up quarterly compensation is calculated as follows: $10,000 /.93 = $ 10,753 (rounded to the nearest dollar). Use this amount for the "Total Quarterly Income."

- Calculate the California tax withheld by multiplying the "Total Quarterly Income" by .07 (round the result to the nearest dollar). Enter this amount in Form 592, "Amount of Tax Withheld."

  Example: The "Total Quarterly Income" is listed as $10,753 (the gross-up compensation amount). The "Amount of Tax Withheld" is calculated as follows: $10,753 x .07 = $753 (rounded to the nearest dollar).

F Calculation of Interest for the Summary of 2008 Forms 592

To Calculate Interest for Column B of the Summary of 2008 Forms 592: Program participants must pay interest on the previously unpaid withholding amounts. We compute interest from the date the payment was due to the date it is received by FTB. *We compound interest daily*. Three different interest rates apply:

- 01/01/2008 - 06/30/2008 = 8% interest
- 07/01/2008 - 12/31/2008 = 7% interest
- 01/01/2009 - 03/16/2009 = 5% interest

For purposes of estimating the interest to include with your payment, you may use a blended rate of 7% interest without compounding.

G Explanation of Additional Compensation

The withholding payments made by you on behalf of the payee constitute additional 2008 income for the payee. Provide each payee with the following explanatory information along with a 2008 IRS Form 1099-MISC and 2008 Form 592-B:

Explanation of Additional Compensation to Payee
for 2008 IRS Form 1099-MISC and 2008 Form 592-B

Notice to Payee

On your behalf, we paid the California withholding on nonwage compensation paid to you during tax year 2008. In effect, this payment constitutes additional 2008 compensation to you. The additional compensation is reported on your 2008 IRS Form 1099-MISC and 2008 Form 592-B, along with the amount previously paid to you for services performed.

You may have a 2008 filing requirement with the California Franchise Tax Board. Even if you do not have a filing requirement, you must file a return in order to claim the 2008 withholding. For additional information, go to **ftb.ca.gov**.

H Franchise Tax Board Agreement

If you complete the NWIP application, and fully pay the past-due withholding amounts, including interest, we agree to:

1. Review your application and the completed 2008 forms. If there is any underpayment with the application, we will send you a statement of the amount due. If the statement of amount due is not paid within the specified deadline, you will not be accepted in to the program. We will retain the remittance we received for the late withholding and apply any penalty. If you overpay any amount when your application is submitted, we will refund the difference.
2. Waive 2008 penalties based on reasonable cause for the following:
   a. Failure to file correct information returns for 2008 Forms 592.
   b. Failure to file correct information returns for 2008 Forms 592-B.
3. For the 2007 tax year and earlier, not to audit nonresident, nonwage withholding. We will only assess penalties and/or audit prior years if:
   a. You fail to comply with the terms of the 2008 NWIP.
   b. Additional information becomes available indicating the information reported is not complete or accurate.
4. We may review and/or audit for 2008 NWIP compliance.

The terms of this 2008 NWIP only cover withholding compliance audits performed by the Withholding Services and Compliance Section and do not cover tax return or other examination or compliance audits performed by other departments within FTB.

I Additional Information

For additional information concerning the 2008 NWIP:

- Go to **ftb.ca.gov** and search for **nonresident withholding**.
- Call us at **888**.792.4900 (toll-free), or at 916.845.4900 (not toll-free).
- Email us at wscs.gen@ftb.ca.gov. Type "NWIP" in the subject line. This is not a secure email address. Please do not send confidential information.