



## Small Business Withholding Tool

If you pay California source income<sup>1</sup> to a California nonresident,<sup>2</sup> generally, you must withhold on all payments that exceed \$1,500 in a calendar year. If you backup withhold for the Internal Revenue Service, you must also backup withhold for us on California source income. Backup withholding applies to California residents and nonresidents who do not provide a taxpayer identification number or do not certify exemption from backup withholding when required.

Use these three stages to determine when you need to withhold. For forms, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **withholding forms and publications**.

Stage 1	Forms	Tasks
<b>Before</b> you make a payment	<b>Form 590, <i>Withholding Exemption Certificate</i></b> <b>Due:</b> Prior to payment.	Give Form 590 to your payee. A payee who is a California resident or a business with resident status can use this form to certify exemption from withholding. When certified, no withholding is required.  Keep a copy for your records. Form 590 does not apply to payments subject to backup withholding.
	<b>Form 587, <i>Nonresident Withholding Allocation Worksheet</i></b> <b>Due:</b> Prior to payment.	A payee can use Form 587 to allocate California source payments and determine if withholding is required. This form must be certified and is valid for the duration of the contract provided there is no material change in the facts.  Keep a copy for your records. This form applies to payments subject to backup withholding.
	<b>Form 588, <i>Nonresident Withholding Waiver Request</i></b> <b>Due:</b> 21 business days prior to payment.	A payee must use Form 588 to apply for a waiver. We must approve the waiver. No withholding is required with an approved waiver.  Keep a copy of the approved waiver for your records. Form 588 does not apply to payments subject to backup withholding.
	<b>Form 589, <i>Nonresident Reduced Withholding Request</i></b> <b>Due:</b> 10 days when filed online or 21 business days prior to payment if submitted by mail.	A payee must use Form 589 to request a reduction in withholding. If we approve the reduced withholding, our approval letter will state the reduced amount for you to withhold.  Keep a copy of the approval letter for your records. Form 589 does not apply to payments subject to backup withholding.
Stage 2	Forms	Tasks
<b>At the time</b> you make a payment	None.	Withhold 7 percent on all California source payments exceeding \$1,500 in a calendar year, unless you receive one of the following forms or approval letters as described above: Form 587, 588, 589, or 590. If backup withholding applies, withhold 7 percent.

<sup>1</sup> Payment for services performed and income received on assets located in California.

<sup>2</sup> We use the term "payee" to describe any person or entity that receives payment. Payees may be residents or nonresidents of California.

Stage 3	Forms	Tasks
<p><b>After</b> you make a payment</p>	<p><b>Form 592, Resident and Nonresident Withholding Statement</b></p> <p><b>Payment period      Due date</b></p> <p>1/1 - 3/31 .....4/15</p> <p>4/1 - 5/31 .....6/15</p> <p>6/1 - 8/31 .....9/15</p> <p>9/1 - 12/31 .....1/15</p>	<p>Prepare and send us a timely Form 592, either electronically or by mail. List all payees withheld upon during the filing period. FTB credits the withholding to the payees' accounts.</p> <p>We assess a penalty for failure to file complete, correct, and timely returns. The penalty is calculated per payee as follows:</p> <ul style="list-style-type: none"> <li>• \$30 if filed 1 to 30 days after due date.</li> <li>• \$60 if filed 31 days to 6 months after due date.</li> <li>• \$100 if filed more than 6 months after due date. (R&amp;TC Section 19183)</li> </ul>
	<p><b>Form 592-V, Payment Voucher for Resident and Nonresident Withholding</b></p> <p><b>Due:</b> See Form 592 due dates.</p>	<p>Send Form 592-V with a check or money order when you submit a completed Form 592 to us.</p>
	<p><b>Form 592-B, Resident and Nonresident Withholding Tax Statement</b></p> <p><b>Due:</b></p> <ul style="list-style-type: none"> <li>• January 31 (Stockbrokers – February 15) following the close of the calendar year.</li> <li>• Foreign partners or members on or before the fifteenth day of the fourth month following the close of the taxable year.</li> </ul>	<p>Send each payee Form 592-B and keep a copy for your records. A payee attaches a copy of Form 592-B when filing the required California tax return as proof of California source income and withholding credit.</p> <p>We assess a penalty for failure to file complete, correct, and timely returns. The penalty is calculated per payee as follows:</p> <ul style="list-style-type: none"> <li>• \$100 for each payee statement not provided by due date.</li> <li>• \$250 or 10 percent of amount required to be reported (whichever is greater) if failure is due to intentional disregard of the requirement. (R&amp;TC Section 19183)</li> </ul>

**Internet and Telephone Assistance**

Website: **ftb.ca.gov**  
Telephone: 800.852.5711 from within the United States  
916.845.6500 from outside the United States  
TTY/TDD: 800.822.6268 for persons with hearing or speech impairments