

Mini Webinar Script

Nonresident Withholding Waiver Request, Form 588

SLIDE 1

Hello. Welcome to the Franchise Tax Board's pre-recorded webinar. This presentation is designed to provide you with general information about Form 588, Nonresident Withholding Waiver Request, and its process.

SLIDE 2

Currently, we require 7 percent withholding on payments of California source income to nonresident payees. However, the California Revenue and Taxation Code allows for a waiver after consideration of a written request. This presentation will provide you the information you will need to complete and submit a waiver request.

SLIDE 3

First, let's define the terms withholding agent and payee. Withholding agent, also known as the payer, is any individual or entity that makes payments to a payee. Payee is any individual or entity that receives California source income.

SLIDE 4

The Form 588, Nonresident Withholding Waiver Request, is used for requesting waivers on withholding payments of California source income to nonresident payees. This form must be completed accurately and submitted timely to us by the requester. After we process the request, the requester will receive a Waiver Determination Notice stating if the request to waive has been approved, denied, or that no waiver required. If we approve the waiver request, the Waiver Determination Notice is the waiver. The waiver is effective for a maximum term of 24 months and follows the calendar year format. The withholding agent retains the approved waiver determination notice for a minimum of 4 years.

In a short moment, we will walk you through the process on how to complete Form 588.

SLIDE 5

For Form 588, a payer, payee, or authorized third party representative can submit a waiver request to us. If the request is submitted by someone other than the payer, it is the requester's responsibility to send the payer a copy of the approved notice. The payer will then not withhold when making payment to the payee.

Do not use Form 588 to request a waiver if you are a:

- Foreign (non-U.S.) partner or member.
- Seller of California real estate.

Also, Form 588 does not apply to:

- Backup Withholding, or
- Payments of wages to employees.

SLIDE 6

To access Form 588, Nonresident Withholding Waiver Request, go to our main homepage at ftb.ca.gov

- Type “Form 588” in the search field, located in the upper right-hand side of the webpage.
- Press “Enter.”
- From the Search Results listing, select the PDF to 2013 Form 588.

Or

At the homepage, select the “More Forms” button under the “Top Forms” column and search for 588.

There are other ways to search for the form; however, the two methods just demonstrated are the most direct.

SLIDE 7

The requester must submit a completed waiver request at least 21 business days before payment to allow FTB time to process the request.

You can mail or fax your request to us. The information listed here is also on the form. For quicker processing time, Fax the request.

Any errors or illegible information will delay processing of the request. Payers who do not receive an approved notice by the date of payment must still withhold 7% on the nonresident payees.

SLIDE 8

Let’s take a moment to complete a basic Form 588.

SLIDE 9

In our first scenario, Jane Smith of Fantom Property Management, who is the withholding agent, also known as the Payer, is also the requester of the waiver for her two nonresident payees. They are:

- Imma Person, who resides in Hawaii and is an interior designer contracted to stage homes managed by Fantom Property Management.
- Charles Madeup, who resides in Minnesota and is a plumber contracted to do work for apartment complexes in California managed by Fantom Property Management.

SLIDE 10

First, make sure you choose the form with the correct tax year. If withholding agent is going to pay the payees in 2013, make sure the form indicates the tax year 2013.

In Part I, Withholding Agent's information goes here. So, Jane Smith of Fantom Property Management information belongs in this section.

In Part II, Requester's Information goes here. In this scenario, Fantom Property Management is also the requester. It is possible an authorized third party, other than the withholding agent or the payee may request the waiver.

In Part III, select the type of income payment. For this example, the payee is an independent contractor. It is important to select a payee payment type. If you have multiple types of income payment, then complete a separate Form 588 by the type of income payment.

In Part IV, payee information goes here. The requester must select a reason code for the payee from Part V, which we will look at next.

SLIDE 11

In Part V, there is a list of reasons for requesting a waiver. It is the requester's responsibility to enter the correct reason code. Generally, a waiver is requested and granted because an individual or entity can prove they have good filing history in California. This is most commonly done with reason "A" and/or "B." In situations where the entity files on a combined report or an individual is included in a group or composite return than reasons "C" or "E" should be used, respectively. Remember to include the R-7 or 1067A with your request. If the payee is newly admitted into a partnership, LLC, or S-Corporation, use reason "D" and provide the date admitted.

For our scenario, Imma Person , has California state tax returns on file for the two most recent taxable years and current on any outstanding tax obligations with us; therefore, the reason code for Imma Person is "A."

SLIDE 12

(Click for Reason A)

SLIDE 13

O.K. Now let's enter the second payee's information, Charles Madeup. We will need to use Page 2 of this form to input our second payee under Payees Information section.

Since Charles Madeup is filing as a sole proprietor, "Sole Proprietorship" needs to be added after the business name. Again, the requester needs to complete this section thoroughly and refers to Part V for the reason code. Since Charles Madeup has been making timely estimated tax payments for the current taxable year and current on any tax obligations with FTB, the reason code for Charles Madeup is "B".

SLIDE 14

Lastly, the requester, Jane Smith must complete and sign the Perjury Statement. Please make sure the contact information is accurate and legible. This will prevent any unnecessary delays.

SLIDE 15

Now, let's look at the second scenario. We have Green Back of Hobnob Property Investment LP who is the withholding agent, also known as the Payer. Green Back is also the requester of the waiver for his four nonresident shareholders. They are:

- Bea Partner, who resides in Washington, and a participant in a group return.
- Mee Partner, who resides in Connecticut, and is newly admitted in a partnership.

SLIDE 16

- John Doe of John Doe Trust, a grantor trust located in New York, and has good filing history and current on any outstanding tax obligations with FTB.
- Lastly, Ida B. Happy Trust, a non grantor trust in Colorado, and also has good filing history and current on any outstanding tax obligations with FTB.

SLIDE 17

Again, make sure the form is the correct tax year.

In Part I, Withholding Agent's information goes here. Green Back of Hobnob Property Investment LP is the withholding agent.

In Part II, Requester's Information goes here. Again, in this scenario, Green Back of Hobnob Property Investment LP is also the requester.

In Part III, select a payment type to the payees.

In Part IV, the first payee information, Bea Partner, goes here. The requester must select a reason code for the payee from Part V.

Since Bea Partner is part of a group return, the reason code for Bea Partner is code "E."

When selecting reason code "E," requester must provide a Schedule 1067A when claiming as a group return.

SLIDE 18

Now for the remaining payees, let's use Page two of Form 588 to list them. First, complete Mee Partner information.

Since Mee Partner is a recent newly admitted partner, the reason code for Mee Partner is “D.” For reason code “D,” the requester must provide the newly admitted date in the Newly Admitted Date field.

SLIDE 19

As for John Doe of John Doe Trusts, it is a grantor trust. John Doe is the grantor of the trust; the identification number provided will be his SSN. Since, he has California state tax returns on file for the two most recent taxable years, 2012 and 2011, and current on any outstanding tax obligations with FTB, the reason code for John Doe of John Doe Trusts is “A.”

SLIDE 20

Lastly, let’s enter Ida B. Happy Trust’s information.

Ida B. Happy Trust is a non grantor trust; therefore, the identification number provided will be the FEIN of the trust. Since the trust has California state tax returns on file for the two most recent taxable years and current on any outstanding tax obligations with FTB, the reason code for Ida B. Happy Trust is “A.”

SLIDE 21

After all the payees’ information is completed, the requester, Green Back must complete and sign the Perjury Statement. The requester’s contact information must be accurate and legible, in case we have to contact the requester.

SLIDE 22

Now that we’ve completed our discussions about Form 588, let’s summarize the things to keep in mind to avoid processing delays

- Use the correct tax year form.
- Follow the instructions.
- Provide accurate and legible information.
- If the payee has filed under another entity, attach information (i.e. copy of Schedule R-7 or 1067A).
- Use the appropriate identification number for Grantor and Non-Grantor Trust
- Fax in completed Form 588.

SLIDE 23

If you have questions, we’re here to help!

At **ftb.ca.gov**, you’ll find information, forms and publications to help you with all of your withholding needs.

If you need to contact us, go to our homepage:

- Click on “contact us.”

- Scroll to “Withholding” section.
- Click on “Email Withholding Services.” Complete the necessary fields and please do not send confidential information.

You can also call us at **888.792.4900** or **916.845.4900**.

Our telephone staff is available to take your calls Monday through Friday, from 8am to 5pm Pacific time.

You can also fax your completed Form 588 and supporting documents to us at **916.845.9512**.

This concludes our presentation. On behalf of the California Franchise Tax Board, thank you for viewing this webinar. We hope it was helpful to you.