MINI WEBINAR SCRIPT

RESIDENT AND NONRESIDENT WITHHOLDING FORMS 592 and 592-V

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Hello! Welcome to the Franchise Tax Board's mini webinar on resident and nonresident withholding Forms 592 and 592-V.

We designed this presentation to provide withholding agents an overview of California's nonresident withholding requirements and how to complete Forms 592 and 592-V. At the end of this presentation we'll provide contact information you can use if you still have questions.

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Has your California business ever had a nonresident individual or company perform a service for you in California? For example:

- A company to paint your office building?
- A guest speaker for a seminar you hosted?
- A band to perform at your club?

If you have, you could be a withholding agent for California? It's true! A withholding agent is any individual or entity that is responsible for payment or distribution of California source income to a nonresident. That means that anyone can be a withholding agent, even you. But don't worry; the law only requires action from a withholding agent in two very specific situations.

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The two situations when you are required to withhold are:

- You make payments or distributions of California source income to, or for the services of, a California nonresident, and the total amount of the payments or distributions during the calendar year is more than 1,500 dollars, or
- Back up withholding is required on the payee by the IRS.

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Unless you receive a waiver or reduced withholding authorization from us, the withholding rate for both nonresident and backup withholding is 7 percent. For example if you paid a nonresident to perform a service in California for 10,000 dollars, you would withhold 700 dollars from the gross amount and they would receive a net payment of 9,300 dollars. Withholding is optional on the first 1,500 dollars in payments or distributions so you could choose to withhold only 595 dollars, 7 percent of 8,500 dollars.

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If you withhold, you use Form 592, Resident and Nonresident Withholding Statement to report the withholding, and Form 592-V, Payment Voucher for Resident and Nonresident Withholding to send the withholding to the Franchise Tax Board. If you are reporting withholding for 250 or more payees you must submit the Form 592 electronically.

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You must send us the completed Form 592, the withholding payment, and Form 592-V by four specific due dates. The due dates are determined by the date of withholding.

- If withholding is done between January 1st and March 31st, then the due date is April 15th
- If withholding is done between April 1st and May 31st, then the due date is June 15th
- If withholding is done between June 1st and August 31st, then the due date is September 15th
- And, if withholding is done between September 1st and December 31st, then the due date is January 15th

If the due date falls on a weekend or legal holiday, the due date is the next business day. Send the documents together; however do not staple them to each other.

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To access the resident and nonresident withholding forms, begin on Franchise Tax Board's homepage, ftb.ca.gov.

Select the Businesses tab near the top of the page.

On the gray bar to the left, select Withholding.

Then select Nonresident.

In the navigation bar on the left side of the page, under the heading of Tools and Resources, select Forms and Publications.

This page provides links that will take you to each of the current year withholding forms. As you can see, Forms 592 and 592-V are available. Return to PPT.

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To demonstrate how to complete the forms, we will use the fictitious companies, Sunny Day Inc. and Four Corners Design. Sunny Day Inc. is a California corporation run by CEO Sunny Day. Four Corners Design is an Arizona company that doesn't have a

permanent place of business in California and is not registered with the California Secretary of State, so they are a nonresident.

Sunny Day Inc. has decided to remodel their office. On April 1, 2012 Sunny Day Inc. hires Four Corners Design to do the remodel. They agree on a price of 26,000 dollars for the remodel with Sunny Day Inc. paying 10,000 dollars up front. Sunny Day Inc. pays the remaining 16,000 dollars when the work is completed on May 18, 2012. Sunny Day Inc. is the withholding agent and Four Corners Design is the payee. Sunny Day Inc. did not receive an approved waiver or reduced withholding authorization from FTB.

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Sunny Day Inc. would withhold 7 percent from the gross amount of 26,000 dollars. The total nonresident withholding would be 1,820 dollars and Four Corners Design would receive a net payment of 24,180 dollars.

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Before we get to the forms, let’s look at what made Sunny Day Inc. a withholding agent.

- They paid a nonresident to perform a service.
- The service was performed in California.
- Total payment for the service was more than 1,500 dollars.
- And no withholding waiver was granted by FTB.

Those four things make Sunny Day Inc. a withholding agent for California. Now that we know withholding is required, let’s look at how they would complete the forms.

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The year of the form and the year of the payment must match, so Sunny Day Inc. would complete the 2012 Form 592. The payments to Four Corners Design were made between April 1st and May 31st so they would mark the applicable due date of June 15, 2012.

Sunny Day Inc. would enter their name in the business name field. They are a business entity so they would provide either a Federal Employer Identification Number, California Corporation Number or Secretary of State File Number. Individuals would provide a Social Security or Individual Taxpayer Identification number. In our example Sunny Day Inc. is using their FEIN.

After providing the address information, make sure to indicate the total number of payees being reported with the Form 592. In our example Sunny Day Inc. only has one payee, Four Corners Design.

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In Part 2 of the form, the first thing you do is indicate the type of payment withheld on. Be sure to check all the boxes that apply. In our scenario Sunny Day Inc. made payments to an independent contractor so we will check box ‘A’.

You report the total amount of nonresident withholding on line 1. Sunny Day Inc. would withhold 7 percent of 26,000 dollars, which is 1,820 dollars and report that amount on line 1. Sunny Day Inc. has no backup withholding to report, so they put a zero on line 2 and report 1,820 dollars on line 3. Lines 4 and 5 are used for payments that have already been sent to us but need to be distributed to a payee. That does not apply to Sunny Day Inc., so they would enter the total withholding of 1,820 dollars on line 7. The amount on line 7 should always be the same amount reported on the payment voucher, Form 592-V.

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The withholding agent and the individual that prepared the Form 592 must sign the perjury statement. The preparer must provide their name, address, and phone number. This enables us to contact them directly if we discover an error or omission on the form. Sunny Day Inc. would enter their name and phone number as the withholding agent. If the form was completed by Sunny Day, the CEO of Sunny Day Inc., her information would be provided as the preparer.

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The second page of the withholding statement is the Schedule of Payees. You must report all payees using this schedule, do not create your own version. If you are reporting withholding for more than four payees, complete and include additional copies of the schedule until all payees are reported. Let’s look at how Sunny Day Inc. would complete the schedule of payees.

First, Sunny Day Inc. would put their name and identification number at the top of the Schedule of Payees. They would enter Four Corners Design in the business name field, provide Four Corners Design’s Federal Employer Identification Number, and mark the box labeled FEIN.

Then Sunny Day Inc. would enter the address provided by Four Corners Design. Below the address they would report the total amount they paid to Four Corners Design and the amount of tax they withheld. At the bottom of the page they would enter the total income and withholding reported on the page. Sunny Day Inc. only has one payee, so they would enter 26,000 dollars as the total income and 1,820 dollars as the total withheld.

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As the withholding agent, Sunny Day Inc. would complete Form 592V, Payment Voucher for Resident and Nonresident Withholding to send with the withholding payment.

The year of the form and the year of the payment must match, so Sunny Day Inc. would use the voucher for 2012. Withholding agents with more than 250 payees are required to submit the Form 592 electronically. Sunny Day Inc. would mark the box for paper and report that they had one payee.

The name, address, and identification number on the payment voucher should match the withholding agent information reported on the Form 592. Sunny Day Inc. would also provide a contact number so that we can reach them if we discover an error or omission.

Sunny Day Inc. reports the 1,820 dollars withheld from Four Corners Design as the amount of payment. Remember, the payment amount on the voucher should always be the same amount reported on line 7 of the Form 592. If there was no withholding payment due or Sunny Day Inc. made the payment using electronic funds transfer, they would not send us a payment voucher.

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If you fail to send us the complete and correct Form 592 by the applicable due date, we assess penalties for late filing for each payee. We determine the amount of the penalty by how late the form is. The penalties per payee are:

- 15 dollars for forms filed within 30 days of the due date.
- 30 dollars for forms filed 31days to 6 months after the due date.
- And 50 dollars for forms filed more than 6 months after the due date.

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Failing to withhold may result in you being personally liable for the amount of tax that should have been withheld. Additionally, interest will be assessed on late withholding payments from the due date to the date paid.

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Before we conclude this presentation we have a few tips and reminders to help you complete the Forms 592 and 592-V:

- The year of the form and the year of the withholding must be the same.
- Enter either a business or an individual name, not both, for the withholding agent and the payees.
- Complete Form 592-V with the withholding agent’s information, not the payee’s.
- And always provide the requested contact information.

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We hope today's webinar has helped you understand who is a withholding agent and how to complete Forms 592 and 592V. But if you still 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, you can email us at wscs.gen@ftb.ca.gov. But please don't send confidential information as this is not a secure email address.

You can also call us at 916.845.4900 or 888.792.4900.

Our telephone staff is available to take your calls Monday through Friday, except state holidays, from 8 a.m. to 5 p.m. Pacific time.

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