

FTB Form 588, Nonresident Withholding Waiver Request

Pre-Recorded Webinar

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Hello. Welcome to the Franchise Tax Board's pre-recorded webinar designed to provide you general information about FTB Form 588, *Nonresident Withholding Waiver Request*, and how it is processed. This webinar will last approximately 15 minutes.

CLICK

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Before we get started, let's review the basic nonresident withholding requirements.

California requires 7 percent withholding on payments of California source income to nonresident payees. Withholding is required unless a waiver is granted through the Form 588 request process. This presentation will provide you the information you will need to complete and submit a waiver request.

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Now, let's cover a few definitions that will be used throughout the webinar.

- A withholding agent, also known as a payer, is any individual or entity that is responsible for payment or distribution of California source income.
- A payee is any individual or entity that receives a California source income payment.

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So, what is a nonresident withholding waiver request?

A nonresident withholding waiver request is a request to release the withholding agents from their obligation to withhold on payments of California source income made to nonresident payees.

This process does not apply to:

- Foreign partners or members
- Sellers of California real estate

- Backup Withholding, or
- Wages paid to employees

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So, who submits the waiver request?

A payer, payee, or authorized third party representative can submit a waiver request via MyFTB, mail, or fax.

Let's go over some important details.

- You must submit the waiver request at least 21 business days prior to the payment.
- Waivers are effective for a maximum term of 24 months.
- Waivers can be denied for reasons such as: no filing history, balance due or simply an incomplete form.
- Waiver responses are only sent to the requester.

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Where to file Form 588?

You can electronically file Form 588 by logging on to your MyFTB account and selecting "File a Nonresident Withholding Waiver Request." Use this preferred method for the quickest processing time.

Or

You can mail your request to:
Withholding Services and Compliance Section - Mail Stop F182
Franchise Tax Board
PO Box 942867
Sacramento CA 94267-0651.

Or

Fax your request to 916.845.9512.

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Let's take a closer look at how you can access Form 588. **(Click)**

Start by visiting our website at **ftb.ca.gov**.

- **(Click)** You can electronically submit your request by logging on to your MyFTB account and selecting "File a Nonresident Withholding Waiver Request". Remember this is the preferred method for quickest processing time.
Or
- **(Click)** Type "Form 588" in the search field, located in the upper right-hand side of the webpage.
- **(Click)** Click the "Search" button or press "Enter."

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- **(Click)** From the Search Results page, select the PDF to access the current tax year Form 588. In this example we are using a 2016 form.

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

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In our first scenario, Jane Smith of Fantom Property Management, is the withholding agent, also known as the Payer. She is requesting a waiver for her two nonresident payees.

The payees are:

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

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Now let's complete Form 588.

- **(Click)** First, make sure to complete the correct tax year form. If the withholding agent is going to pay the payees in 2016, make sure the form indicates this tax year.
- **(Click)** In Part 1, complete the withholding agent's information. Fantom Property Management will use their business name, California corporation number, and address.
- **(Click)** In Part 2, complete the requester's Information. In this scenario, we will enter Jane Smith's information and check the Authorized Representative for Withholding Agent box.

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- **(Click)** In Part 3, select the type of income subject to withholding. It is important to select the appropriate type of income payment. For this scenario, Fantom Property Management is using CA source income to make payments to nonresident independent contractors so we will select option A.
- Lastly on this page, the requester must sign and date **(Click)** their request under penalty of perjury. It is important that a valid phone number is provided in case we need to request any additional information during processing.

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Now let's move on to side 2 of Form 588.

Part 4 is a schedule of payees.

You can complete up to 3 payees information on side 2 of Form 588. If you have more than 3 payees, complete and attach additional copies of side 2 **(Click)** and include the requester's name and ID number at the top of each additional page. Let's review how to complete it for the 1st payee.

Let's start with the first payee. **(Click)** Imma Person is an individual, so we will complete this section using her name, Social Security Number, and address. Ensure the SSN and 'Reason for Waiver Request' boxes are checked before moving to the next payee. For this scenario, we will select box A of the reason for waiver request because she is considered current on her tax obligations with FTB.

(Click) Repeat the same process for each additional payee.

The waiver request reasons are defined at the bottom of side 2 of Form 588.

Let's take a look at the waiver request reasons.

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- **(Click) Reason A.** Payee has California state tax returns on file for two most current taxable years and is current on any tax obligations with the Franchise Tax Board.
- **(Click) Reason B.** Payee is making timely estimated tax payments for the current taxable year.
- **(Click) Reason C.** Payee is a corporation and meets the following criteria:
 - It's not qualified to do business and does not have a permanent place of business in California.
 - It's filing tax returns based on a combined report with a corporation that does have a permanent place of business in California. Attach a copy of Schedule R-7, Election to File a Unitary Taxpayers' Group Return, from the combined report.
- **(Click) Reason D.** Payee is a newly admitted S corporation shareholder, partner of a partnership, or member of a limited liability company.
- **(Click) Reason E.** Other – Attach a specific reason and include documentation that would justify a waiver from withholding.

See Form 588 for complete details on waiver request reasons.

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Now, let's look at a second scenario. We have Hobnob Property Investment LP who is making distributions of California source income to three nonresident partners. Hobnob Property Investment LP is the withholding agent. The three nonresident partners are:

- Bea Partner, who resides in Washington and is a participant in a group return.
- John Doe, who resides in New York and is the grantor of the John Doe Trust.
- Lastly, we have the Ida B. Happy Trust, a non-grantor trust located in Colorado.

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Let's complete Form 588 for Hobnob Property Investment LP.

- **(Click)** Begin by selecting the correct tax year of Form 588.
- **(Click)** In Part 1, complete the withholding agent's information. Hobnob Property Investment LP will use their business name, federal employer identification number, and address.
- **(Click)** In Part 2, complete the requester's Information. In this scenario, the Authorized Representative is Green Back so we will enter Green Back's information and check the Authorized Representative for Withholding Agent box.

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- **(Click)** In Part 3, select the type of income subject to withholding. Since Hobnob Property Investment LP is a California partnership making distributions to nonresident partners we will select box D.
- **(Click)** Lastly, the requester must sign and date this request under penalty of perjury. It is important that a valid phone number is provided in case we need to request any additional information during processing.

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Now let's complete the schedule of payees in Part 4.

(Click) Bea Partner is an individual, so we will complete this section using her name, SSN, and address. Ensure the SSN and 'Reason for Waiver Request' boxes are selected. For this scenario, we will select box E because Bea Partner is part of a group return and she provided her supporting documentation.

(Click) The second payee is the John Doe Trust. Since this is a grantor trust, the first and last name of the individual is the only information required. We will complete this section using his name, SSN, and address. Ensure the SSN and 'Reason for Waiver Request' boxes are selected. For this scenario, we will select box A because he is considered current on his tax obligations with FTB.

(Click) The final payee to include on this request is the Ida B. Happy Trust, which is a non-grantor trust.

Since this is a non-grantor trust we will complete this section with the trust name, federal identification number, and address. Ensure FEIN and 'Reason for Waiver Request' boxes are selected. For this scenario, we will select box D because the trust is a partner of a partnership. **(Click)** The Newly Admitted Date box will need to be completed using the date the trust was admitted to the Hobnob partnership.

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Now, we will go over Waiver Determination Notices.

Waiver Determination Notices are sent to the requester within 21 business days.

If approved, withholding agents:

- Must receive a waiver approval before eliminating withholding on payments made to nonresidents.
- And the withholding agent must retain the Waiver Determination Notice for a minimum of 4 years and provide it to FTB upon request.

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Now let's look at what to do if your waiver request is denied.

If the waiver request is denied:

- Withholding is required for the denied payees.
- Payees can contact our call center to determine why the request was denied. And finally,
- Resubmit the waiver request once any outstanding tax obligations are satisfied.

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Now let's go over some quick tips to avoid processing delays.

- Use MyFTB electronic form submission for the most efficient processing services.
- Always use the correct tax year form.
- Be sure to read through and follow the form instructions.
- Complete all applicable form fields.

- Provide accurate and legible information.
- If the payee has filed under another entity, be sure to attach supporting documentation. For example, a schedule R-7 or a 1067A.
- Use the appropriate identification numbers for grantor and non-grantor trusts.

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If you still have questions, we're here to help!

(Click) At ftb.ca.gov, you'll find information, forms and publications to help you with all of your withholding needs.

For example; search form numbers such as **1017** to locate FTB Pub. 1017, *Resident and Nonresident Withholding Guidelines*.

(Click) You can view available nonwage withholding credits and electronically submit forms through MyFTB by going to ftb.ca.gov and logging on to your MyFTB account.

(Click) You can also call us at 888.792.4900 or 916.845.4900.

Our public service team is available to take your calls Monday through Friday, from 8am to 5pm Pacific time.

Or fax your completed Form 588 and supporting documents to 916.845.9512.

(Click) We hope you enjoyed this general information about FTB Form 588, *Nonresident Withholding Waiver Request*, and how it is processed. 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.