

NOTE: This handout is intended only for purposes of facilitating discussion at the interested parties meeting on July 11, 2016.

Regulation Section 18662-4 is amended to read:

§ 18662-4. Withholding on Payments (Nonresident Individuals and Non-California Business Entities) – General.

(a) Nonresident Individuals and Non-California Business Entities; De Minimis Amounts; and Rate.

(1) Nonresident Individuals and Non-California Business Entities. Except as otherwise provided in Revenue and Taxation Code section 18662 and Regulation sections 18662-0 through 18662-8, withholding of tax at source is required for payments of California source income made to nonresident individuals and non-California business entities, including, but not limited to, such other entities as nonresident estates or trusts, suspended or forfeited corporations, and foreign (non-U.S.) entities. Withholding on payments of income to resident individuals and California business entities is optional; however, if withholding and remitting of tax at source is performed, it must be performed according to the rules applicable to mandatory withholding of tax as set forth in Revenue and Taxation Code section 18662 and Regulation sections 18662-0 through 18662-8.

(2) De Minimis Amounts. Withholding of tax at source is optional and at the discretion of the withholding agent on the first \$1,500 of income paid for the calendar year to each payee.

(3) Rate. The withholding rate is 7 percent of the gross payment or distribution amount.

(4) Cross-References. See Regulation sections 18662-5 (Other Types of Payments and Withholding), 18662-6 (Nonresident Withholding, Entertainers, Athletes and Speakers), 18662-7 (Withholding Rules for Domestic (U.S.) Pass-through Entities) [reserved], and Regulation section 18662-8 (Reporting and Remitting Amounts Withheld, Penalties and Interest; Other Procedures) for specific requirements.

(b) Optional Withholding or No Withholding Required. Unless otherwise stated in this subsection (b) or any of the forms referenced herein, withholding of tax at source is optional and not required on payments of California source income to the following:

(1) California Residents. If a California resident receives California source income, withholding is not required. Withholding agents may use reasonable methods to determine the California residency of payees.

Example 1: Withholding agents may send their payees an exemption certificate, on FTB Form 590, Withholding Exemption Certificate, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 590"). The required information specified in FTB Form 590 is set forth in subsection (h), below. Payees may use this form to certify their residency status, provided that the withholding agent may

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only rely upon an exemption certificate, on FTB Form 590, if payees include their taxpayer identification number.

Example 2: Withholding agents may rely on a California street address as an indication of a payee's residency status. If the payee has a California street address, no withholding is required. An exemption certificate, on FTB Form 590, may be used to verify residency status. A valid California street address does not include a California post office box, or an "in care of" address. If a change of address occurs, the withholding agent must reevaluate the payee's residency status.

(2) California Business Entities.

If a non-California business entity payee is doing business in California within the meaning of Revenue and Taxation Code section 23101 and is receiving California source income, withholding is required unless the payee qualifies under the requirements of the exemption certificate, on FTB Form 590, or the amount is excluded from amounts subject to withholding.

If a corporate payee has not qualified with the Office of the Secretary of State and does not have a permanent place of business in this State, but is a member of a combined report filed under Regulation section 25106.5 and included in a group return filed pursuant to that regulation, then the key corporation is treated as a guarantor and surety for the other members, so that the corporate payee is deemed to be a California Business Entity.

The following are examples of methods the Franchise Tax Board will consider reasonable for withholding agents to rely upon in determining if a corporation has a permanent place of business in California or is qualified to do business in this State for purposes of the withholding regulations (Regulation sections 18662-0 through 18662-8):

Example 1: Withholding agents may rely on a completed exemption certificate, on FTB Form 590. A completed exemption certificate, on FTB Form 590, showing the payee's taxpayer identification number and stating that the corporation has a permanent place of business in California (or is included in a combined return with a California key corporation) protects the withholding agent from penalties for failure to withhold, unless the withholding agent has actual knowledge that the statement in the exemption certificate, on FTB Form 590, is false.

Example 2: If a corporation is incorporated in California or qualified to do business in California with the Office of the Secretary of State, it is a California business entity for withholding purposes. Withholding agents can determine if a corporate payee is a California corporation or qualified to do business in this State by contacting the Office of the Secretary of State (SOS). Withholding agents may rely on a printout from the SOS's website showing the payee's entity number, the corporation has a permanent place of business in California (e.g., the "jurisdiction" field shows "California" or the "entity city, state, zip" field shows "CA" for the state), and the corporation is in good

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standing (e.g., the "status" field shows "active"). The SOS website printout—which must be printed within 30 days prior to making a payment—protects the withholding agent from penalties for failure to withhold, unless the withholding agent has actual knowledge that the information received from the SOS is false.

- (3) Tax Exempt Organizations. Withholding of tax at source is not required on payments of California source income to tax exempt organizations that are exempt either under California or federal law.
- (4) California Estates and Trusts. Withholding of tax at source is not required on payments of California source income to California estates and trusts.
- (5) Banks and Banking Associations. Withholding of tax at source is not required on payments of California source income where the payee is a bank or banking association.
- (6) Sale of Goods. Withholding of tax at source is not required on payments for the sale of goods.
- (7) Services of a Nonresident Outside of California. Withholding of tax at source is not required on payments for services provided by a nonresident that were performed outside of California.
- (8) Intangible Personal Property. Withholding of tax at source is not required on payments of California source income from intangible personal property, such as interest and dividends, unless the property has acquired a business situs in California. (See Regulation section 18662-5.)
- (9) Motor Carrier Compensation. Withholding of tax at source is not required on payments of California source income to a motor carrier providing transportation in two or more states, subject to section 11504(b) of Title 49 of the United States Code.
- (10) Wages Paid to Employees. Withholding of tax at source is not required on payments of California source wages to employees. However, wages are subject to wage withholding. Employee wage withholding is covered by the Unemployment Insurance Code and administered by the Employment Development Department.
- (11) Nonresident Corporate Directors. Withholding of tax at source is not required on payments of California source income to a nonresident corporate director for director's services. However, information returns for nonresident corporate directors for director's services must be filed in accordance with Revenue and Taxation Code section 18662, subdivision (g). Nonresident directors must file California tax returns if they otherwise meet return filing requirements or may elect to be included in a group return pursuant to Revenue and Taxation Code section 18536.
- (12) Insurance Companies, Individual Retirement Plans, Pension or Profit Sharing Plans. Withholding of tax at source is not required on gross premiums paid to

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insurance companies. Withholding of tax at source is not required on payments of income made to individual retirement accounts or federally qualified pension or profit sharing plans.

(13) Income from Qualified Investment Securities. Withholding of tax at source is not required on payments of income from qualified investment securities excluded from taxable income of a nonresident or part-year resident under Revenue and Taxation Code sections 17955 and 23040.1.

(c) Withholding Exemption Certificates.

(1) General. Where the payee otherwise properly certifies that it qualifies under the requirements of an exemption certificate, as set forth in FTB Form 590, no withholding is required. The certification on FTB Form 590 does not need to be renewed annually. The certification on FTB Form 590 remains valid until the payee's status changes. The withholding agent should evaluate the need for securing a new certificate, on FTB Form 590, when any indication of a change in residency status occurs, such as a change of address.

(2) Incomplete or Invalid Exemption Certificates. An incomplete exemption certificate, on FTB Form 590, is invalid and the withholding agent should not accept it. If the withholding agent receives an incomplete exemption certificate, on FTB Form 590, the withholding agent is required to withhold tax on payments made to the payee until a valid certificate, on FTB Form 590, is received. In lieu of a completed exemption certificate, on FTB Form 590, on the preprinted form, the withholding agent may accept as a substitute a letter from the payee explaining why the payee is not subject to withholding. The letter must contain all the information required on the certificate, on FTB Form 590, in substantially similar language, including the penalty of perjury statement and the payee's taxpayer identification number. The withholding agent may accept facsimiles or photocopies of the withholding forms.

(3) California Address. Withholding agents may accept a completed exemption certificate, on FTB Form 590, when an individual certifies residency but does not show a California address, unless the withholding agent reasonably believes the exemption certification, on FTB Form 590, is fraudulent. Regardless of whether a copy of the exemption certificate, on FTB Form 590, is required to be filed, the withholding agent must retain a copy of the exemption certificate, on FTB Form 590, or substitute for at least five years after the last payment to which the certificate, on FTB Form 590, applies, and provide it upon request to the Franchise Tax Board.

(4) False Certificate. A withholding agent who knowingly accepts a false exemption certificate, on FTB Form 590, is subject to the liabilities and penalties relating to failure to withhold set forth in Revenue and Taxation Code section 18668 and Regulation section 18662-8.

(d) Information Returns Also Required. A withholding agent who withholds tax at source may also be required to file an information return, on FTB Form 592, Resident and

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Nonresident Withholding Statement, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 592"), FTB Form 592-PTE, Pass-Through Entity Annual Withholding Return, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 592-PTE"), or FTB Form 592-F, Foreign Partner or Member Annual Withholding Return, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 592-F"). The required information specified in FTB Form 592, FTB Form 592-PTE, and FTB Form 592-F is set forth in subsection (i), subsection (j) and subsection (jk), respectively, below. The Franchise Tax Board may provide the form and manner of filing information returns, on FTB Form 592, FTB Form 592-PTE, or FTB Form 592-F, and withholding statements by forms and instructions on its website at www.ftb.ca.gov, including circumstances where they may be filed together on a single document or filed electronically.

(e) Waivers and Reduced Amounts. In certain circumstances set forth more specifically in the forms referenced in this subsection (e), the Franchise Tax Board, at its sole discretion, may authorize a waiver with respect to withholding requirements or a reduced withholding amount.

(1) Waivers. Requests shall be made in the form and manner that the Franchise Tax Board shall provide on FTB Form 588, Nonresident Withholding Waiver Request, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 588"). The required information specified in FTB Form 588 is set forth in subsection ~~(k)~~(l), below. As set forth in FTB Form 588, ~~the payee must show that the payee must have~~ has a history of timely filing and payment. Waivers may also be requested as provided in FTB Form 588, where the payee is a newly-admitted partner, member, or S corporation shareholder, a member of a combined report electing to be included in a California combined return with a key corporation within the meaning of Regulation section 25106.5, subsection (b)(13) and (14), or in certain circumstances where withholding would not be administratively practical. Requests for waivers, on FTB Form 588, must be submitted before the payment is made so the Franchise Tax Board can issue a determination notice authorizing a waiver before the withholding is required. Withholding is required unless the Franchise Tax Board issues a determination notice authorizing a waiver. The Franchise Tax Board has the sole discretion to grant waivers.

(2) Request for Reduced Withholding Amount. Payees in some circumstances, as set forth in FTB Form 589, Nonresident Reduced Withholding Request, or any successor form designated by the Franchise Tax Board on its website at www.ftb.ca.gov ("FTB Form 589"), can request a reduced withholding amount to reflect expenses and costs or other special circumstances that would justify a reduced amount whereby the total amount of expenses (FTB Form 589, Part IV (Withholding Computation), line 12) cannot exceed 50 percent of the gross California source payment (FTB Form 589, Part IV (Withholding Computation), line 1). The required information specified in FTB Form 589 is set forth in subsection ~~(h)~~(m), below. Requests shall be made in the form and manner that the Franchise Tax Board shall set forth in FTB Form 589.

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(3) Other Conditions As May Be Required. After considering requests for waiver, on FTB Form 588, or reduced withholding amount, on FTB Form 589, the Franchise Tax Board may, as a further condition, require the payee to assure the Franchise Tax Board by bond, deposit, or other reasonable requirements as necessary, that the payee will comply with the withholding requirements applicable to the payee.

(f) Requirement to File a California Return. Withholding does not relieve the payee of the obligation to file a California income tax return. For individuals, a California return is required if the nonresident individual has any income from California sources and has a California tax liability. (See Revenue and Taxation Code section 18501.) Business entities must file returns if they are subject to franchise or income tax, are doing business in California, or have any California source income for the taxable year. No refund or credit of withholding may be made to an individual or entity that fails to file a tax return for the year. (See Revenue and Taxation Code section 19307.)

(g) Suspended and Forfeited Corporations. Withholding of tax at source is required from any payment to a suspended or forfeited corporation if the payer has knowledge of, or has reason to know of, the suspension or forfeiture.

(h) FTB Form 590, Withholding Exemption Certificate. FTB Form 590 shall contain the following information:

(1) Withholding Agent's name.

(2) Payee information, which includes the payee's name, identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), and address.

(3) A check box indicating one of the following reasons the payee is exempt from the California withholding requirements on payments made to the entity or individual:

(A) The payee is a resident of California at the payee address shown on FTB Form 590.

(B) The payee is a corporation having a permanent place of business in California at the payee address shown on FTB Form 590, or is qualified through the California Secretary of State to do business in California.

(C) The payee is a partnership or LLC having a permanent place of business in California at the payee address shown on FTB Form 590, or is registered with the California Secretary of State.

(D) The payee entity is exempt from tax under Revenue and Taxation Code section 23701 or Internal Revenue Code section 501(c).

(E) The payee entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.

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- (F) At least one trustee and one noncontingent beneficiary of the payee trust is a California resident.
 - (G) The person signing FTB Form 590 is the executor of the payee's estate, where the payee-decedent was a California resident at the time of death.
 - (H) The payee is a nonmilitary spouse of a military service member and meets the Military Spouse Residency Relief Act requirements.
- (4) The name, telephone number and dated signature of the payee.
- (i) FTB Form 592, Resident and Nonresident Withholding Statement. FTB Form 592 shall contain the following information:
- (1) A check box indicating whether the form is filed as an amended FTB Form 592.
 - (2) A check box indicating whether the form is filed for a prior year's distribution.
 - (3) A check box indicating one of four due dates for April, June, or September of the current year, or January of the following year, for the tax withheld.
 - (4) Withholding Agent information, which includes the business or individual name (not both), business-identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), contact name at the business, and withholding agent's address, and telephone number.
 - (5) Total number of payees reported on the FTB Form 592.
 - (6) A check box to indicate the types of income being reported: Payments to Independent Contractors; Trust Distributions; Rents or Royalties; Distributions to Domestic Nonresident Partners, Members, Beneficiaries, or S Corporation Shareholders; Estate Distributions; Elective Withholding; Elective Withholding by Indian Tribe; or Other. For "Other," an explanation must be provided.
 - (7) Total tax amount withheld from all payees listed by withholding agent, excluding backup withholding.
 - (8) Total backup withholding from all payees listed by withholding agent.
 - (9) Total amount of tax withholding and backup withholding (combined).
 - (10) Total of prior payments made to the Franchise Tax Board but not previously distributed to the payees on a prior FTB Form 592.
 - (11) Amounts withheld by another entity and being distributed to payees under this FTB Form 592.

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(12) Total of prior payments not previously distributed on a prior FTB Form 592, plus amounts withheld by another entity and being distributed under this FTB Form 592 (combined).

(13) Total amount being submitted on FTB Form 592.

(14) The name and dated signature of the withholding agent, ~~and telephone number.~~

(15) The name, PTIN number, address, telephone number, and dated signature of the preparer.

(16) Payee information, which includes the business or individual name (not both), ~~business~~ identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), ~~contact name at the business~~, a check box indicating whether the amount submitted constitutes backup withholding, address, total amount of income, and amount of tax withheld. Multiple payees may be submitted on one form.

(j) FTB Form 592-PTE, Pass-Through Entity Resident and Nonresident Annual Withholding Return. FTB Form 592-PTE shall contain the following information:

(1) A check box indicating whether the form is filed as an amended FTB Form 592-PTE.

(2) A check box indicating whether the form is filed for a prior year's distribution.

(3) A check box indicating total withholding paid at end of year.

(4) Withholding Agent information, which includes the business or individual name (not both), identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), withholding agent's address, and telephone number.

(5) Pass-Through Entity Information: Withholding agent information for pass-through entity which withheld on behalf of current Form 592-PTE filer. Withholding agent information includes the business or individual name (not both), identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), withholding agent's address, and telephone number.

(6) Total number of payees reported on the FTB Form 592-PTE.

(7) Total tax amount withheld from all payees listed by withholding agent, excluding backup withholding.

(8) Total amount of tax withholding.

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(9) Total of prior payments made to the Franchise Tax Board but not previously distributed to the payees on a prior FTB Form 592-PTE.

(10) Amounts withheld by another entity and being distributed to partners or members under this FTB Form 592-PTE.

(11) Total of prior payments not previously distributed on a prior FTB Form 592-PTE, plus amounts withheld by another entity and being distributed under this FTB Form 592-PTE (combined).

(12) Total amount being submitted on FTB Form 592-PTE.

(13) The name and dated signature of the withholding agent.

(14) The name, PTIN number, address, telephone number, and dated signature of the preparer.

(15) Payee information, which includes the business or individual name (not both), identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), a check box indicating whether the amount submitted constitutes backup withholding, address, total amount of income, and amount of tax withheld. Multiple payees may be submitted on one form.

(jk) FTB Form 592-F, Foreign Partner or Member Annual Withholding Return. FTB Form 592-F shall contain the following information:

(1) A check box indicating whether the form is filed as an amended FTB Form 592-F.

(2) A check box indicating whether the form is filed based on the filing of a federal extension.

(3) A space to indicate the month, day, and year of the start of the partnership's or LLC's calendar or fiscal year.

(4) A space to indicate the month, day, and year of the end of the partnership's or LLC's calendar or fiscal year.

(5) Withholding Agent information, which includes the business name, identification number (FEIN, California corporation number, or California Secretary of State file number), telephone number, and address.

(6) Pass-Through Entity Information: Withholding agent information for pass-through entity which withheld on behalf of current Form 592-PTE filer. Withholding agent information includes the business or individual name (not both), identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), withholding agent's address, and telephone number.

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~~(6)~~(7) Total number of foreign partners or members reported on the FTB Form 592-F.

~~(7)~~(8) Total tax amount withheld from all payees listed by withholding agent, ~~excluding backup withholding.~~

~~(8)~~ Total backup withholding from all payees listed by withholding agent.

(9) Total amount of tax withholding ~~and backup withholding (combined).~~

(10) Amount withheld by another entity and being allocated to partners or members under this FTB Form 592-F.

(11) Total of prior payments of foreign partners' or member's withholding for the taxable year.

(12) Total amount of foreign partner or member credit carried over from the prior withholding year.

(13) Total of the following: (1) amount withheld by another entity and being allocated to partners or members under this FTB Form 592-F; (2) total of prior payments of foreign partners' or member's withholding for the taxable year; and (3) total amount of foreign partner or member credit carried over from the prior withholding year.

(14) Total amount being submitted on FTB Form 592-F; submit withholding amount along with Form 592-A.

(15) Overpayment amount (if applicable).

(16) Credit to be applied to next year's FTB Form 592-F (if applicable).

(17) Refund amount (if applicable).

(18) Payee information, which includes the business or individual name (not both), ~~business~~ identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), ~~contact name at the business, a check box indicating whether the amount submitted constitutes backup withholding,~~ address, total amount of income, and amount of tax withheld. Multiple payees may be submitted on one form.

(19) The name and dated signature of the withholding agent.

(20) The name, PTIN number, address, telephone number and dated signature of the preparer.

~~(k)~~(l) FTB Form 588, Nonresident Withholding Waiver Request. FTB Form 588 shall contain the following information:

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- (1) Withholding Agent information, which includes the business or individual name (not both), ~~business~~ identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), ~~contact name at the business~~, daytime telephone number, fax number, and withholding agent's address.
- (2) Requester information, which includes the business and/or individual name (if applicable), ~~identification~~ number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), individual name or contact name at the business, daytime telephone number, fax number, ~~and address~~, and check boxes requesters must mark to identify themselves as either. ~~A requester can be the withholding agent, the payee, or an authorized third party of either the withholding agent or payee.~~
- (3) A check box indicating one of the following types of income subject to withholding: Payments to Independent Contractors; Trust Distributions; Rents or Royalties; Distributions to Domestic Nonresident Partners, Members, Beneficiaries, or S Corporation Shareholders; Estate Distributions; or Other. For "Other," an explanation must be provided.
- (4) Payee information, which includes the business or individual name (or both for grantor trusts or sole proprietorships), ~~business~~ identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), ~~contact name at the business~~, and address. If the payee is a newly admitted business entity or individual, the date of admittance must be provided. If the payee is a grantor trust, the grantor's individual name and SSN/ITIN must be provided. Multiple payees may be submitted on one form along with a check box for each indicating the reason for the waiver request.
- (5) A check box indicating one of the following reasons for the waiver request:
 - (A) Payee has California state tax returns on file for the two most current taxable years in which the payee has a filing requirement. Payee is considered current on any tax obligations with the Franchise Tax Board.
 - (B) Payee is making timely estimated tax payments for the current taxable year. Payee is considered current on any tax obligations with the Franchise Tax Board.
 - (C) Payee is a corporation that is not qualified to do business and does not have a permanent place of business in California, but is filing a tax return based on a combined report with a corporation that does have ~~has~~ 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.
 - (D) Payee is a newly admitted S corporation shareholder, partner of a partnership, or member of a limited liability company. In the "Newly Admitted Date" box, provide the date this shareholder, partner, or member was admitted.

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~~during the current year must be provided. This~~ The waiver will expire at the end of the calendar year succeeding the date the payee was newly admitted. ~~granted.~~ Once expired, the payee must have the most current California tax return due on file, or estimated tax payments for the current taxable year in order to have a new waiver granted.

(E) ~~Other~~ For "Other," attach a the specific reason and include substantiation that would justify a for the waiver from withholding. If the payee is a group return participant, attach a copy of Schedule 1067A, Nonresident Group Return Schedule, from the group return. ~~request must be explained and substantiated.~~

(6) The name, telephone number and the dated signature of the requester.

~~(m)~~ FTB Form 589, Nonresident Reduced Withholding Request. FTB Form 589 shall contain the following information:

- (1) Withholding Agent information, which includes the business or individual name (not both), business identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), contact name at the business, daytime telephone number, fax number, withholding agent's address, and name of venue or property address (if applicable).
- (2) Payee information, which includes the business or individual name (not both), business identification number (SSN or ITIN, FEIN, California corporation number, or California Secretary of State file number), contact name at the business, fictitious business statement name (if applicable), fax number, address, and telephone number.
- (3) A check box indicating one of the following types of income subject to withholding: Payment to Independent Contractor; Trust Distributions; Rents or Royalties; Distributions to Domestic Nonresident Partners, Members, Beneficiaries, or S Corporation Shareholders; Estate Distributions; or Other. For "Other," an explanation must be provided.
- (4) Date(s) of service.
- (5) Gross California source payment.
- (6) ~~Withholding Agent~~ Payee expenses, consisting of the following:
 - (A) Advertising;
 - (B) Commissions and fees;
 - (C) Cost of labor (contract labor);
 - (D) Insurance;

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- (E) Legal, professional, and/or management fee;
 - (F) Rent or lease payments;
 - (G) Supplies;
 - (H) Travel, meals, and entertainment; and
 - (I) Other. For "Other," the type of expense and amount must be explained and substantiated.
- (7) Total amount of expenses.
 - (8) Net California source payment (gross California source payment, less total amount of expenses).
 - (9) Withholding amount (multiply the net source payment by 7 percent).
 - (10) The name and dated signature of the payee.
 - (11) The name, PTIN number, telephone number and dated signature of the preparer.

Note: Authority cited: Section 19503, Revenue and Taxation Code.
Reference: Sections 18662 and 18817, Revenue and Taxation Code.