

## **California Withholding**

### **Instructions – if applicable**

California law requires businesses to withhold 7% from payments to vendors for services performed in California once the total payments exceed \$1,500 in a calendar year. However, vendors will be exempt from withholding or subject to a reduced withholding rate if they provide the proper documents.

**Vendors with a permanent location in California** or who are qualified to do business in California by the Secretary of State will be exempt from withholding once they provide a completed Form 590 Withholding Exemption Certificate.

**Vendors without a permanent location in California** or who have not been qualified to do business in California by the Secretary of State will be exempt from withholding once they provide a determination letter from the California Franchise Tax Board (FTB) authorizing waiver of withholding. A vendor may apply for the waiver by sending a completed Form 588 Nonresident Withholding Waiver Request to the FTB.

**Vendors without a permanent location in California** and who have not been qualified to do business in California by the Secretary of State will be subject to a reduced withholding rate once they provide a reduced withholding rate approval letter from the FTB. A vendor may apply for reduced withholding by sending a completed Form 589 Nonresident Reduced Withholding Request to the FTB.

Enclosed are copies of the various forms and instructions. Please review the documentation and determine the appropriate action for your situation. Additional information regarding California Nonresident Withholding can be found at <http://www.ftb.ca.gov/wsc/withholding.shtml>.

If applicable, please be advised that Acro Service Corporation will withhold 7% from all payments exceeding \$1,500 beginning with first payment, if you do not return a Form 590 or a notice from the FTB authorizing a waiver from withholding or a reduced withholding rate.

# 2012 Nonresident Withholding Waiver Request

## 588

### Part I Withholding Agent Information

Business name (S corp., partnership, LLC, estate, or trust) ACRO SERVICE CORPORATION		<input type="checkbox"/> SSN or ITIN <input checked="" type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.	
		3 8 2 4 1 3 6 2 9	
First name BARBARA	Initial	Last name CARPENTER	Contact telephone no. ( 7 3 4 ) 6 3 2 4 2 4 9
Address (suite, room, PO Box, or PMB no.) 39209 WEST 6 MILE ROAD, STE. 250		FAX number ( 7 3 4 ) 5 9 1 1 2 1 7	
City LIVONIA		State MI	ZIP Code 4 8 1 5 2

### Part II Requester Information

Business name		<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.	
First name	Initial	Last name	Contact telephone no. ( )
Address (suite, room, PO Box, or PMB no.)		FAX number ( )	
City		State	ZIP Code

### Part III Type of Income Payments Subject to Withholding

Check one type only. ●

- A  Payment to Independent Contractor
- B  Trust Distributions
- C  Rents or Royalties
- D  Distributions to Domestic Nonresident Partners/Members/Beneficiaries/S Corporation Shareholders
- E  Estate Distributions
- F  Other

### Part IV Payee Information (Use the letter codes listed below.)

PRINT CLEARLY

Business name		<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.	
First name	Initial	Last name	Account Period Ending (APE) ____/____/____
Address (suite, room, PO Box, or PMB no.)			
City		State	ZIP Code
Reason for Waiver Request (Letter Code)	Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

If more than one Payee Information, use Side 2.

### Part V Reason For Waiver Request Letter Codes

- A Payee has California state tax returns on file for the two most recent taxable years in which the payee has a filing requirement. Payee is considered current on any outstanding tax obligations with the Franchise Tax Board (FTB). See Part IV instructions if newly admitted in the immediate prior year.
- B Payee is making timely estimated tax payments for the current taxable year. Payee is considered current on any outstanding tax obligations with the FTB.
- C Payee, S corporation shareholder, partner, or member 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 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, shareholder, partner, or member is a newly admitted S corporation shareholder, partner, or member. A newly admitted S corporation shareholder, partner, or member is any entity that becomes a shareholder, partner, or member in the above-listed S corporation, partnership, or LLC after the end of the S corporation's, partnership's, or LLC's taxable year. In the "newly admitted date" box above, provide the date this shareholder, partner, or member was admitted.
- E Other – Attach specific reason and include substantiation that would justify a waiver of withholding. If payee is a group return participant, attach a copy of Schedule 1067A, Nonresident Group Return Schedule, from the group return.

### Perjury Statement

Under penalties of perjury, I declare that I have examined this request, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of paid preparer is based on all information of which preparer has any knowledge.

Requester's name and title (type or print)	Daytime telephone no. ( )
Requester's signature	Date

Requester Name: \_\_\_\_\_ Requester ID No.: \_\_\_\_\_

**Payee Information**

**PRINT CLEARLY**

Business name			<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.		
First name	Initial	Last name	Account Period Ending (APE) ____/____/____		
Address (suite, room, PO Box, or PMB no.)					
City			State	ZIP Code	
Reason for Waiver Request (Letter Code)			Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

Business name			<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.		
First name	Initial	Last name	Account Period Ending (APE) ____/____/____		
Address (suite, room, PO Box, or PMB no.)					
City			State	ZIP Code	
Reason for Waiver Request (Letter Code)			Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

Business name			<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.		
First name	Initial	Last name	Account Period Ending (APE) ____/____/____		
Address (suite, room, PO Box, or PMB no.)					
City			State	ZIP Code	
Reason for Waiver Request (Letter Code)			Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

Business name			<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.		
First name	Initial	Last name	Account Period Ending (APE) ____/____/____		
Address (suite, room, PO Box, or PMB no.)					
City			State	ZIP Code	
Reason for Waiver Request (Letter Code)			Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

Business name			<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA corp no. <input type="checkbox"/> SOS file no.		
First name	Initial	Last name	Account Period Ending (APE) ____/____/____		
Address (suite, room, PO Box, or PMB no.)					
City			State	ZIP Code	
Reason for Waiver Request (Letter Code)			Newly Admitted Date (MM/DD/YYYY) (Must be included when selecting Letter Code "D.") ____/____/____		

# Instructions for Form 588

## Nonresident Withholding Waiver Request

### What's New

Beginning January 1, 2011, we began applying Federal Treasury Regulation 1.1446-6 procedures to reduce or eliminate withholding of California tax on effectively connected taxable income (ECTI) from California sources allocable to a foreign partner. The foreign partner must first sign and send federal Form 8804-C to the partnership. The foreign partner must sign and send Form 589, Nonresident Reduced Withholding Request to the Franchise Tax Board (FTB) along with a signed copy of federal Form 8804-C. The FTB will review the request within 21 business days. If the request is approved, the partnership should remit the reduced withholding amount to the FTB along with Form 592-A, Payment Voucher for Foreign Partner or Member Withholding.

### General Information

#### A Purpose

Use Form 588, Nonresident Withholding Waiver Request, to request a waiver on withholding payments of California source income to nonresident payees.

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

- **Foreign (non-U.S.) partner or member.** A foreign (non U.S.) partner or member may file a Form 589, to reduce or eliminate a partner's withholding of California tax on ECTI from California sources, however a foreign (non-U.S.) partner or member may not request a withholding waiver.
- **Seller of California real estate.** Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

Form 588 does not apply to payments of backup withholding. For information on California backup withholding, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

Form 588 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, go to [edd.ca.gov](http://edd.ca.gov) or call 888.745.3886.

#### B Requirement

R&TC Section 18662 requires withholding of income or franchise tax on certain payments made to nonresidents for income received from California sources unless an approved reduction is issued. The withholding rate is seven percent unless a waiver is granted by the FTB.

#### C Income Subject to Withholding

The items of income subject to withholding include, but are not limited to:

- Compensation for services performed in California by nonresidents (including payment of expenses). For more information, get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines.
- Rent paid to nonresidents on real or personal property located in California if the rent is paid in the course of the withholding agent's business.
- Royalties paid to nonresidents from business activities in California.
- Distributions of California source taxable income to nonresident beneficiaries from an estate or trust.
- Prizes and winnings received by nonresidents for contests in California.
- Distributions of California source taxable income to a domestic (nonforeign) nonresident S corporation shareholder, partner, or member. For more information, get FTB Pub. 1017.
- Allocations of California source income or gain to foreign (non-U.S.) nonresident partners or members. For more information, get FTB Pub. 1017. A foreign (non U.S.) partner or member may file a Form 589, to reduce or eliminate a partner's withholding of California tax on ECTI from California sources, however a foreign (non U.S.) partner may not request a withholding waiver.
- Other California source income paid to nonresidents.
- Endorsement payments received for services performed in California.

Compensation for services includes payments for personal services rendered in California, commissions paid to salespersons or agents for orders received or sales made in California, fees for professional services rendered in California, and payments to entertainers, wrestlers, boxers, etc., for performances in California.

When compensation is paid for services performed both within and outside of California, the portion paid for services rendered in California and subject to withholding should be determined by an allocation. Refer to Form 587, Nonresident Withholding Allocation Worksheet.

Use Form 592, Resident and Nonresident Withholding Statement, and/or Form 592-F, Foreign Partner or Member Annual Return, to report withholding to the FTB. Use Form 592-V, Payment Voucher for Resident and Nonresident Withholding, and/or Form 592-A to remit withholding to the FTB.

All withholding payments must be submitted with a voucher.

Nonresidents or foreign partners may use Form 589 to request a reduction in the statutory withholding amount that is applicable to California source payments made to nonresidents or a foreign partner's share of ECTI from California sources.

#### D Exceptions to Withholding

Withholding is not required when:

- The payment is for goods.
- The payment is being made to a resident of California, an S corporation, a partnership, or a limited liability company, (LLC), that has a permanent place of business in California. Form 590, Withholding Exemption Certificate, can be used by payees to certify that they are residents of California or have a permanent place of business in California. Withholding agents should keep the signed form containing this certification and provide it to the FTB upon request. Withholding agents are relieved of the withholding requirements if they rely in good faith on a signed certification (Form 590) that the payee is a resident of California or has a permanent place of business in California. This exception does not apply, if the resident, S corporation, partnership, or LLC that has a permanent place of business in California is acting as an agent for the actual payee.
- The withholding agent's total payments of California source income to the payee are \$1,500 or less for the calendar year.
- The payments are for income from intangible personal property, such as interest and dividends, unless derived in a trade or business or the property has acquired a business situs in California.
- The payments are for services performed outside of California or for rents, royalties, and leases on property located outside of California.
- The payment is to a nonresident corporate director for director services, including attendance at board meetings.
- The payee is a tax-exempt organization under either California or federal law (provide a completed Form 590 to the withholding agent to certify).
- The payee is a government or any of its agencies or instrumentalities, a state or any of its political subdivisions, a foreign government or any of its subdivisions, agencies, or instrumentalities
- The payee receives a written authorization from the FTB waiving the withholding.
- The domestic (nonforeign) nonresident S corporation shareholder, partner, or

member provides the S corporation, partnership, or LLC with a properly completed and signed Form 590-P, Nonresident Withholding Exemption Certificate for Previously Reported Income.

- The income of nonresident S corporation shareholders, partners, or members, including a bank or corporation, is derived from qualified investment securities of an investment partnership.

## Withholding Waivers

The FTB issues a determination letter for each waiver request. A withholding agent must have received the determination letter authorizing a waiver of withholding before eliminating withholding on payments made to nonresidents. The withholding agent retains the determination letter and waiver for a minimum of four years and must furnish the form to the FTB upon request.

Withholding waivers issued by the FTB apply only for the limited purpose of determining the withholding obligation under R&TC Section 18662. They do not apply to the taxability of income. Withholding waivers are effective for a maximum term of 24 months. If the waiver is granted and effective for a period of 12 months or less, the waiver will expire on December 31 of the same calendar year. If the waiver is granted and effective for a period of 13 to 24 months, the waiver will expire on December 31 of the succeeding calendar year. If backup withholding applies, the waiver granted is void. If you previously received a withholding waiver and wish to have it extended, submit a new request on Form 588 and attach a copy of the original authorization letter. The acceptance of evidence submitted with the application is not binding on the FTB for any purpose other than for issuing a withholding waiver.

## Specific Instructions

The withholding agent, S corporation, partnership, LLC, payee, estate, or trust may complete and sign this form.

Complete the entire form and attach the information supporting your request. Failure to include necessary information and documents may delay issuance or denial of the waiver.

**Private Mail Box (PMB)**— Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

**Foreign Address** — Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. **Do not** abbreviate the country's name.

**Part I** — Enter the business or individual name of the withholding agent,

S corporation, partnership, LLC, estate, or trust making the payments. Complete a separate Form 588 for each withholding agent.

Include a daytime telephone number and fax number, with area code, so we can contact you if we need additional information.

**Part II** — Enter the business or individual requester name, address (including PMB, if applicable), and to whose attention the withholding certificate is to be mailed.

Include a daytime telephone number and fax number, with area code, so we can contact you if we need additional information.

**Part III** — Check the box indicating the type of payment for which a waiver is being requested.

**Part IV** — Enter the payee information. List the Account Period Ending (APE), business or individual name, address, and social security number (SSN), individual taxpayer identification number (ITIN), California corporation number, federal employer identification number (FEIN), or secretary of state (SOS) file number of the nonresident payee. **Do not** use your own version of the Schedule of Payees to report additional payees. We can only accept and process additional payees reported on the Schedule of Payees from Side 2 of Form 588.

If you have multiple payees for the period, use and include additional copies of the Schedule of Payees from Side 2 of Form 588, as necessary. Be sure to include the requester's name and ID number at the top of each additional page.

Under "Reason for Waiver Request," enter the letter code that corresponds to the payee's reason for requesting a waiver.

If Reason A is entered and the payee was approved under Reason D in the immediate prior year, the payee must have the most recent California tax return due on file. If the request date is prior to the due date of the return, the payee may meet Reason B if they have estimate payments for the most current taxable year. This includes estimate payments for the group return the payee has elected to be included in. Attach a copy of Schedule 1067A from the group return.

If Reason B is entered, but the payee does not have California tax returns on file for the two most recent taxable years (as described in Reason A), then the resulting waiver will expire at the end of the calendar year granted.

If Reason D is entered, in the newly admitted date box, provide the date that the shareholder, partner, or member was admitted. A waiver based on Reason D will expire at the end of the calendar year granted.

If Reason E is entered, provide all of the required additional information.

**Part V** — Sign and date the request.

## When and Where to File

Submit your request for a waiver at least 21 business days before making a payment to allow the FTB time to process your request.

Mail Form 588 to:

WITHHOLDING SERVICES AND  
COMPLIANCE MS F182  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

Or

Fax to: 916.845.9512

## Additional Information

For additional information or to speak to a representative regarding this form, call the Withholding Service and Compliance automated telephone service at:

Telephone: 888.792.4900  
916.845.4900

Fax: 916.845.9512

Or write to:

WITHHOLDING SERVICES AND  
COMPLIANCE MS F182  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

## Where to Get Publications Forms, and Information

For all other questions unrelated to withholding or to access the TTY/TDD numbers, see the information below.

TAX FORMS REQUEST UNIT MS F284  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Internet and Telephone Assistance

Website: [ftb.ca.gov](http://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

## Asistencia Por Internet y Teléfono

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)

Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos

TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla

# 2012 Nonresident Reduced Withholding Request

# 589

### Part I Withholding Agent

Business name ACRO SERVICE CORPORATION		<input type="checkbox"/> SSN or ITIN <input checked="" type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no. <input type="checkbox"/> SOS file no.	
		3 8 2 4 1 3 6 2 9	
First name BARBARA	Initial	Last name CARPENTER	
Address (suite, room, PO Box, or PMB no.) 39209 WEST 6 MILE ROAD, STE. 250			Withholding Agent fax number (734) 5 9 1 1 2 1 7
City LIVONIA	State MI	ZIP Code 4 8 1 5 2	Daytime telephone number (734) 6 3 2 4 1 4 9
Venue			

### Part II Payee

Business name		<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no. <input type="checkbox"/> SOS file no.	
First name		Initial	Last name
DBA (if applicable)			
Address (suite, room, PO Box, or PMB no.)			
City	State	ZIP Code	Payee fax number ( )

### Part III Type of Income Subject to Withholding

Check one type only. ●

A  Payment to Independent Contractor

B  Trust Distributions

C  Rents or Royalties

D  Distributions to Domestic Nonresident S Corporation Shareholders/Partners/ Members/Beneficiaries

E  Estate Distributions

F  Other \_\_\_\_\_

● Date(s) of Service \_\_\_\_\_

### Part IV Withholding Amount

Expenses	1 Gross California Source Payment. See instructions	● 1	_____	.00
	2 Advertising	● 2	_____	.00
	3 Commissions and fees	● 3	_____	.00
	4 Cost of labor (contract labor)	● 4	_____	.00
	5 Insurance	● 5	_____	.00
	6 Legal, professional, and/or management fees	● 6	_____	.00
	7 Rent or lease	● 7	_____	.00
	8 Supplies	● 8	_____	.00
	9 Travel, meals, and entertainment	● 9	_____	.00
	Other Expenses (specify). See instructions.			
	10 _____	● 10	_____	.00
	11 _____	● 11	_____	.00
	12 Total amount of expenses. Add line 2 through 11	● 12	_____	0.00
	13 Net California Source Payment. Subtract line 12 from line 1. If zero or less, enter 0.	● 13	_____	.00
14 Withholding Amount. Multiply the amount on line 13 by seven percent (.07). This is the proposed reduced withholding amount. This amount must be verified and approved by the Franchise Tax Board (FTB) prior to the requestor receiving payment for services.	● 14	_____	0.00	

### Part V Payee's Signature

Under penalties of perjury, I hereby certify that the information provided is, to the best of my knowledge, true and correct. I understand that the Franchise Tax Board may review all relevant documentation upon request in order to verify the payment amount and expenses above.

Payee's Name \_\_\_\_\_ Phone Number: ( ) \_\_\_\_\_

Payee's Signature \_\_\_\_\_ Date: \_\_\_\_\_

Preparer's Name \_\_\_\_\_ Phone Number: ( ) \_\_\_\_\_

Preparer's Signature \_\_\_\_\_ Date: \_\_\_\_\_ PTIN \_\_\_\_\_

# Instructions for Form 589

## Nonresident Reduced Withholding Request

### Important Information

Beginning on or after January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the Franchise Tax Board (FTB). The California backup withholding rate is 7% of the payment. For California purposes, dividends, interests, and any financial institution's release of loan funds made in the normal course of business are exempt from backup withholding. If a payee has backup withholding, the payee must contact the FTB to provide a valid Taxpayer Identification Number (TIN) before filing a tax return. The following are acceptable TINs: social security number (SSN); individual taxpayer identification number (ITIN); federal employer identification number (FEIN); California corporation number (CA Corp No.); or Secretary of State (SOS) file number. Failure to provide a valid TIN will result in the denial of the backup withholding credit. For information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for backup withholding.

Beginning January 1, 2011, we began applying Federal Treasury Regulation 1.1446-6 procedures to reduce or eliminate withholding of California tax on effectively connected taxable income (ECTI) from California sources allocable to a foreign partner. The foreign partner must first sign and send IRS Form 8804-C to the partnership. The foreign partner must sign and send Form 589, Nonresident Reduced Withholding Request to the FTB along with a signed copy of IRS Form 8804-C. The FTB will review the request within 21 business days. If the request is approved, the partnership should remit the reduced withholding amount to the FTB along with Form 592-A, Payment Voucher for Foreign Partner or Member Withholding.

### General Information

Nonresidents may request a reduction in the standard seven percent withholding amount that is applicable to California source payments made to nonresidents using Form 589, Nonresident Reduced Withholding Request.

Tax withheld on California source payments to nonresidents are remitted to the FTB in four payment periods (similar to estimate tax payments). For more information, get Form 592, Resident and Nonresident Withholding Statement.

Withholding is optional, at the discretion of the withholding agent, on the first \$1,500 in payments made during the calendar year. Withholding must begin as soon as the total payments of California source income for the calendar year exceed \$1,500.

### A Purpose

A nonresident taxpayer that can show that the required seven percent rate of withholding will result in excessive withholding, should use Form 589, to apply for a reduction in the amount to be withheld (see Revenue and Taxation Code (R&TC) Section 18662).

Do not use Form 589 to request a reduced withholding amount if you are a seller of California real estate. Sellers should use Form 593-C, Real Estate Withholding Certificate.

A foreign (non U.S.) partner or member may file a Form 589, to reduce or eliminate a partner's withholding of California tax on ECTI from California sources, however a foreign (non-U.S.) partner or member may not request a withholding waiver.

Form 589 does not apply to payments subject to backup withholding or for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, call at 888.745.3886 or go to [edd.ca.gov](http://edd.ca.gov).

For California withholding purposes, nonresident includes all of the following:

- Individuals who are not residents of California.
- Corporations not qualified through the Secretary of State to do business in California or having no permanent place of business in California.
- Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
- Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.

Foreign refers to non-U.S.

### B When and Where to File

The payee must submit Form 589 to the FTB before receiving payment for services. Form 589 is a request for a reduced withholding amount and does not guarantee the nonresident payee a reduction in withholding unless approved by the FTB prior to the payment for services being performed.

#### Online Filing:

Beginning August 29, 2011, you may file Form 589, online. After this date we will not be able to process faxed Forms 589. If you file Form 589 online and you need to submit additional documentation, (i.e. federal Form 8804-C, federal Schedule E (Form 1040), expense breakdown, etc.), you must fax the documentation to us at 916.845.9512. On the fax containing your documentation, you must include your name, TIN, and the confirmation number of your online Form 589 submission.

Allow 10 business days for processing online filing.

#### By Mail:

Allow 21 business days for processing. Submit requests by mail to:

WITHHOLDING SERVICES AND  
COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

In an effort to accommodate requests submitted by mail as timely as possible, requests for reduced withholding amounts should be received by the FTB at least 21 business days prior to payment for the services performed. Failure to submit timely requests may result in a seven percent withholding requirement.

Upon receipt of the completed and signed Form 589, the FTB will review the request for a reduced withholding amount. A signature is required on Form 589 from the requestor or payee, in order for the FTB to process. The FTB may request to review all relevant documentation including, but not limited to, receipts and contracts, in order to verify the payment and expense amounts. Upon reviewing the request and supporting documentation, the FTB will make a determination of how much withholding is appropriate for the services performed. Upon making a determination, the FTB will provide a determination letter to the payee and the withholding agent with the approved amount to be withheld on the payment outlined on Form 589. The withholding agent will be instructed to withhold the approved amount, and report that amount on their next Form 592. Mail the completed Form 592 and Form 592-V, Payment Voucher for Resident and Nonresident Withholding, with the approved amount. In addition, the withholding agent will be instructed to withhold and remit seven percent of any payment made to the payee in excess of the gross California source payment amount reported on Form 589. The withholding agent retains this form and the determination letter for a minimum of four years and must provide them to the FTB upon request.

### Specific Instructions

**Taxable Year** – Make sure the year in the upper left corner of Form 589 represents the taxable year for which the services are being performed.

**Foreign Address** – Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

**Private Mail Box (PMB)** – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Note: If completing this form by hand, use black or blue ink.

## Part I – Withholding Agent

Enter the business or individual withholding agent's name, identification number, and address. The withholding agent is the party that will be providing payment to the payee for services performed.

## Part II – Payee

Enter the business or individual name, identification number, and address for the payee who will be performing the services. Include the Doing Business As (DBA), in this field, if you are an entertainer and performing under a different name if applicable.

## Part III – Type of Income Subject to Withholding

Check the box that reflects the type of payment that will be received for services performed on the date(s) specified. Check one type only.

**Date(s) of Service** – Enter the date(s) the services are being performed. The dates of service should reflect the same taxable year as shown in the upper left corner of Form 589.

## Part IV – Withholding Amount

**Line 1** – Enter the total gross California source payment the payee expects to receive for performing services. If the payee and withholding agent have entered into a contract for services, this amount should match the gross payment. A foreign partner enters the gross payments of ECTI from California sources.

**Expenses** – The payee should enter any direct expenses on lines 2 through 11 that will be incurred or paid by the payee for performing the services in California. The FTB may verify the expenses by requesting supporting documentation. Payments the payee makes to nonresident third parties may meet the requirements for withholding and remitting seven percent of the payment to the FTB.

### Line 2 – Advertising

Enter any advertising expenses that are directly related to the date(s) of the services performed.

### Line 3 – Commissions and Fees

Enter any commissions and fees paid that are directly related to the date(s) of the services performed.

### Line 4 – Cost of Labor (Contract Labor)

Enter the total cost of labor for the date(s) of services performed. Do not include salaries and wages paid to your employees.

### Line 5 – Insurance

Enter the premiums paid for business insurance related to the date(s) of services performed. Do not enter amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for the lost earnings due to sickness or disability.

### Line 6 – Legal, Professional, and/or Management Fees

Enter the fees paid for legal, professional, and/or management advice related to the date(s) of the services performed.

### Line 7 – Rent or Lease

Enter the amount paid to rent or lease vehicles, machinery, equipment, or other property, such as office space, that is related to the date(s) of the services performed.

### Line 8 – Supplies

Enter the cost of supplies consumed and used during the date(s) of the services performed.

### Line 9 – Travel, Meals, and Entertainment

Enter the expenses for lodging and transportation connected with overnight travel away from your home that is directly related to the date(s) of the services performed. Enter only the deductible portion of the business meal and entertainment expenses that are directly related to the date(s) of the services performed.

### Line 10 and Line 11 – Other Expenses (specify)

Enter other direct expenses, costs, or special circumstances that justify reduced withholding, including all ordinary and necessary business expenses not deducted elsewhere on Form 589. List the type and amount of each expense separately in the space provided.

A foreign partner must attach a completed and signed federal Form 8804-C to the Form 589. Enter the total of California amounts from federal Form 8804-C, lines 8a through 8f, on Form 589, line 10.

Do not include the expenses paid or incurred by a third party, such as a booking agent or performance venue.

Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses.

Do not include charitable contributions. In addition, you cannot deduct fines or penalties paid to a city, county, or state government agency for violating any law. If additional space is needed, attach a separate schedule that lists the type and amount of each expense.

### Line 12 – Total Amount of Expenses

Add lines 2 through 11. This is the total amount of direct expenses the payee incurred or paid for the date(s) of the services performed.

### Line 13 – Net California Source Payment

Subtract line 12 from line 1. This is the net California source payment after the payee subtracts all direct expenses. This is the amount subject to seven percent withholding.

### Line 14 – Withholding Amount

Multiply the amount on line 13 by seven percent (.07). This is the proposed reduced withholding amount. This amount must be verified and approved by the FTB prior to the payee receiving payment for services.

## Part V – Payee's Signature

Complete the payee's and preparer's information. The FTB will not process this form without a signature.

## Additional Information

For more information regarding nonresident withholding go to [ftb.ca.gov](http://ftb.ca.gov) and search for nonresident withholding or call 888.792.4900 or 916.845.4900.

OR write to:

WITHHOLDING SERVICES AND  
COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

## Where to Get Publication, Forms, and Information

For all other questions unrelated to withholding or to access the TTY/TDD numbers, see the information below.

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

### Internet and Telephone Assistance

Website: [ftb.ca.gov](http://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

### Asistencia Por Internet y Teléfono

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)  
Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos  
TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla



YEAR

# Withholding Exemption Certificate

CALIFORNIA FORM

2012

(This form can only be used to certify exemption from nonresident withholding under California Revenue and Taxation Code (R&TC) Section 18662. Do not use this form for exemption from wage withholding.)

590

File this form with your withholding agent. (Please type or print)

Withholding agent's name

ACRO Service Corporation

Payee's name

Payee's

SOS file no.

SSN or ITIN

CA corp. no.

FEIN

Address (number and street, PO Box, or PMB no.)

Apt. no./ Ste. no.

City

State

ZIP Code

Read the following carefully and check the box that applies to the payee.

I certify that for the reasons checked below, the payee named on this form is exempt from the California income tax withholding requirement on payment(s) made to the entity or individual.

**Individuals — Certification of Residency:**

I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly notify the withholding agent. See instructions for General Information D, Who is a Resident, for the definition of a resident.

**Corporations:**

The above-named corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State (SOS) to do business in California. The corporation will file a California tax return and withhold on payments of California source income to nonresidents when required. If this corporation ceases to have a permanent place of business in California or ceases to do any of the above, I will promptly notify the withholding agent. See instructions for General Information F, What is a Permanent Place of Business, for the definition of permanent place of business.

**Partnerships or limited liability companies (LLC):**

The above-named partnership or LLC has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The partnership or LLC will file a California tax return and will withhold on foreign and domestic nonresident partners or members when required. If the partnership or LLC ceases to do any of the above, I will promptly inform the withholding agent. For withholding purposes, a limited liability partnership (LLP) is treated like any other partnership.

**Tax-Exempt Entities:**

The above-named entity is exempt from tax under California Revenue and Taxation Code (R&TC) Section 23701 \_\_\_\_\_ (insert letter) or Internal Revenue Code Section 501(c) \_\_\_\_\_ (insert number). The tax-exempt entity will withhold on payments of California source income to nonresidents when required. If this entity ceases to be exempt from tax, I will promptly notify the withholding agent. Individuals cannot be tax-exempt entities.

**Insurance Companies, Individual Retirement Arrangements (IRAs), or Qualified Pension/Profit Sharing Plans:**

The above-named entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.

**California Trusts:**

At least one trustee and one noncontingent beneficiary of the above-named trust is a California resident. The trust will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required. If the trustee becomes a nonresident at any time, I will promptly notify the withholding agent.

**Estates — Certification of Residency of Deceased Person:**

I am the executor of the above-named person's estate. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required.

**Nonmilitary Spouse of a Military Servicemember:**

I am a nonmilitary spouse of a military servicemember and I meet the Military Spouse Residency Relief Act (MSRRA) requirements. See instructions for General Information E, MSRRA.

**CERTIFICATE:** Please complete and sign below.

Under penalties of perjury, I hereby certify that the information provided in this document is, to the best of my knowledge, true and correct. If conditions change, I will promptly notify the withholding agent.

Payee's name and title (type or print) \_\_\_\_\_ Daytime telephone no. \_\_\_\_\_

Payee's signature ► \_\_\_\_\_ Date \_\_\_\_\_

# Instructions for Form 590

## Withholding Exemption Certificate

References in these instructions are to the California Revenue and Taxation Code (R&TC).

### General Information

For purposes of California income tax, references to a spouse, husband, or wife also refer to a Registered Domestic Partner (RDP) unless otherwise specified. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

**Private Mail Box (PMB)** – Include the PMB in the address field. Write “PMB” first, then the box number. Example: 111 Main Street PMB 123.

**Foreign Address** – Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

### A Purpose

Use Form 590, Withholding Exemption Certificate, to certify an exemption from nonresident withholding. California residents or entities should complete and present Form 590 to the withholding agent. The withholding agent is then relieved of the withholding requirements if the agent relies in good faith on a completed and signed Form 590 unless told by the FTB that the form should not be relied upon.

The following are excluded from withholding and completing this form:

- The United States and any of its agencies or instrumentalities
- A state, a possession of the United States, the District of Columbia, or any of its political subdivisions or instrumentalities
- A foreign government or any of its political subdivisions, agencies, or instrumentalities

**Important – This form cannot be used for exemption from wage and real estate withholding.**

- If you are an employee, any wage withholding questions should be directed to the FTB General Information number, 800.852.5711. Employers should call 888.745.3886 or go to [edd.ca.gov](http://edd.ca.gov).
- Sellers of California real estate use Form 593-C, Real Estate Withholding Certificate, to claim an exemption from real estate withholding.

### B Requirement

R&TC Section 18662 requires withholding of income or franchise tax on payments of California source income made to nonresidents of California.

Withholding is required on the following, but is not limited to:

- Payments to nonresidents for services rendered in California.
- Distributions of California source income made to domestic nonresident S corporation

shareholders, partners and members and allocations of California source income made to foreign partners and members.

- Payments to nonresidents for rents if the payments are made in the course of the withholding agent's business.
- Payments to nonresidents for royalties with activities in California.
- Distributions of California source income to nonresident beneficiaries from an estate or trust.
- Prizes and winnings received by nonresidents for contests in California.

However, withholding is optional if the total payments of California source income are \$1,500 or less during the calendar year.

For more information on withholding get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines. To get a withholding publication see General Information H, Publications, Forms, and Additional Information.

**Backup Withholding** – Beginning on or after January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the Franchise Tax Board (FTB). The California backup withholding rate is 7% of the payment. For California purposes, dividends, interests, and any financial institutions release of loan funds made in the normal course of business are exempt from backup withholding. For additional information on California backup withholding, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

If a payee has backup withholding, the payee must contact the FTB to provide a valid Taxpayer Identification Number (TIN) before filing a tax return. The following are acceptable TINs: social security number (SSN); individual taxpayer identification number (ITIN); federal employer identification number (FEIN); California corporation number (CA Corp No.); or Secretary of State (SOS) file number. Failure to provide a valid TIN will result in the denial of the backup withholding credit. For more information go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

### C Who Certifies this Form

Form 590 is certified by the payee. An incomplete certificate is invalid and the withholding agent should not accept it. If the withholding agent receives an incomplete certificate, the withholding agent is required to withhold tax on payments made to the payee until a valid certificate is received. In lieu of a completed certificate on the preprinted form, the withholding agent may accept as a substitute certificate 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 in similar language, including the under penalty of perjury statement and the payee's taxpayer identification number. The withholding agent must retain a copy of the certificate or substitute for at least four years after the last payment to which the certificate applies, and provide it upon request to the Franchise Tax Board.

For example, if an entertainer (or the entertainer's business entity) is paid for a performance, the entertainer's information must be provided. Do not submit the entertainer's agent or promoter information.

The grantor of a grantor trust shall be treated as the payee for withholding purposes. Therefore, if the payee is a grantor trust and one or more of the grantors is a nonresident, withholding is required. If all of the grantors on the trust are residents, no withholding is required. Resident grantors can check the box on Form 590 labeled “Individuals — Certification of Residency.”

### D Who is a Resident

A California resident is any individual who is in California for other than a temporary or transitory purpose or any individual domiciled in California who is absent for a temporary or transitory purpose.

An individual domiciled in California who is absent from California for an uninterrupted period of at least 546 consecutive days under an employment-related contract is considered outside California for other than a temporary or transitory purpose.

An individual is still considered outside California for other than a temporary or transitory purpose if return visits to California do not total more than 45 days during any taxable year covered by an employment contract.

This provision does not apply if an individual has income from stocks, bonds, notes, or other intangible personal property in excess of \$200,000 in any taxable year in which the employment-related contract is in effect.

A spouse/RDP absent from California for an uninterrupted period of at least 546 days to accompany a spouse/RDP under an employment-related contract is considered outside of California for other than a temporary or transitory purpose.

Generally, an individual who comes to California for a purpose which will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.

For assistance in determining resident status,

get FTB Pub. 1031, Guidelines for Determining Resident Status, and FTB Pub. 1032, Tax Information for Military Personnel, or call the FTB at 800.852.5711 or 916.845.6500.

## E Military Spouse Residency Relief Act (MSRRA)

Generally, for tax purposes you are considered to maintain your existing residence or domicile. If a military servicemember and nonmilitary spouse have the same state of domicile, the MSRRA provides:

- A spouse shall not be deemed to have lost a residence or domicile in any state solely by reason of being absent to be with the servicemember serving in compliance with military orders.
- A spouse shall not be deemed to have acquired a residence or domicile in any other state solely by reason of being there to be with the servicemember serving in compliance with military orders.

Domicile is defined as the one place:

- Where you maintain a true, fixed, and permanent home
- To which you intend to return whenever you are absent

A military servicemember's nonmilitary spouse is considered a nonresident for tax purposes if the servicemember and spouse have the same domicile outside of California and the spouse is in California solely to be with the servicemember who is serving in compliance with Permanent Change of Station orders.

Note: California may require nonmilitary spouses of military servicemembers to provide proof that they meet the criteria for California personal income tax exemption as set forth in the MSRRA.

Income of a military servicemember's nonmilitary spouse for services performed in California is not California source income subject to state tax if the spouse is in California to be with the servicemember serving in compliance with military orders, and the servicemember and spouse have the same domicile in a state other than California.

For additional information or assistance in determining whether the applicant meets the MSRRA requirements, get FTB Pub. 1032.

## F What is a Permanent Place of Business

A corporation has a permanent place of business in California if it is organized and existing under the laws of California or if it is a foreign corporation qualified to transact intrastate business by the SOS. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in California only if it maintains a permanent office in California that is permanently staffed by its employees.

## G Withholding Agent

Keep Form 590 for your records. Do not send this form to the FTB unless it has been specifically requested.

For more information, contact Withholding Services and Compliance, see General Information H.

The payee must notify the withholding agent if any of the following situations occur:

- The individual payee becomes a nonresident.
- The corporation ceases to have a permanent place of business in California or ceases to be qualified to do business in California.
- The partnership ceases to have a permanent place of business in California.
- The LLC ceases to have a permanent place of business in California.
- The tax-exempt entity loses its tax-exempt status.

The withholding agent must then withhold and report the withholding using Form 592, Resident and Nonresident Withholding Statement, and remit the withholding using Form 592-V, Payment Voucher for Resident and Nonresident Withholding. Form 592-B, Resident and Nonresident Withholding Tax Statement, is retained by the withholding agent

and a copy is given to the payee.

## H Publications, Forms, and Additional Information

You can download, view, and print California tax forms and publications at [ftb.ca.gov](http://ftb.ca.gov).

To have publications or forms mailed to you or to get additional nonresident withholding information, contact the Withholding Services and Compliance.

WITHHOLDING SERVICES AND COMPLIANCE MS F182  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

Telephone: 888.792.4900

916.845.4900

Fax: 916.845.9512

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT MS F284  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

For all other questions unrelated to withholding or to access the TTY/TDD numbers, see the information below.

### Internet and Telephone Assistance

Website: [ftb.ca.gov](http://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

### Asistencia Por Internet y Teléfono

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)

Teléfono: 800.852.5711 dentro de los

Estados Unidos  
916.845.6500 fuera de los Estados Unidos

TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla