

2010 Nonresident Reduced Withholding Request

589

Part I Withholding Agent

Form section for Part I Withholding Agent, including fields for Business name, First name, Address, City, State, ZIP Code, and various tax identification numbers.

Part II Vendor/Payee

Form section for Part II Vendor/Payee, including fields for Business name, First name, DBA, Address, City, State, ZIP Code, and Vendor/Payee fax number.

Part III Type of Income Subject to Withholding

Form section for Part III, including checkboxes for Payment to Independent Contractor, Trust Distributions, Rents or Royalties, etc., and a date of service field.

Part IV Withholding Amount

Form section for Part IV, including a table of expenses (Advertising, Commissions, Labor, Insurance, etc.) and calculation lines for Total amount, Net California Source Payment, and Withholding Amount.

Part V Vendor's/Payee's Signature

Form section for Part V, including a certification statement and signature lines for Vendor's/Payee's Name, Preparer's Name, and dates.

# Instructions for Form 589

## Nonresident Reduced Withholding Request

### What's New

**Backup Withholding** – For taxable years 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**.

### General Information

Beginning January 1, 2008:

- 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.

**Round Cents To Dollars** – Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.

### A Purpose

A domestic 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 R&TC Section 18662).

**Do not** use Form 589 to request a reduced withholding amount if you are one of the following:

- Foreign (non-U.S.) partner or member. There are no provisions in the California R&TC to waive or reduce withholding for foreign partners or members.
- Seller of California real estate. Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

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, contact EDD customer service at 888.745.3886 or go to [www.edd.ca.gov](http://www.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 vendor/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 domestic nonresident vendor/payee a reduction in withholding unless approved by the FTB prior to the payment for services being performed. Allow 10 business days for processing. Submit requests to:

WITHHOLDING SERVICES AND  
COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651  
FAX: 916.845.9512

In an effort to accommodate requests as timely as possible, requests for reduced withholding amounts should be received by the FTB at least 10 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 vendor/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 notice to the vendor/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, report that amount on their next Form 592. Mail the completed Form 592 and Form 592-V with the approved amount. In addition, the withholding agent will be instructed to withhold and remit seven percent of any payment made to the vendor/payee in excess of the gross California source payment amount reported on Form 589.

### 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.

Note: If completing this form by hand, use blue or black 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 vendor/payee for services performed.

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

### Part II – Vendor/Payee

Enter the identification number, business or individual name, and address for the vendor/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.

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

### 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 vendor/payee expects to receive for performing services. If the vendor/payee and withholding agent have entered into a contract for services, this amount should match the gross payment.

**Expenses** – The vendor/payee should enter any direct expenses on lines 2-11 that will be incurred or paid by the vendor/payee for performing the services in California. The FTB may verify the expenses by requesting supporting documentation. Payments the vendor/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.

**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 vendor/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 vendor/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 vendor/payee receiving payment for services.

**Part V – Vendor's/Payee's Signature**

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

**Additional Information**

For additional information regarding nonresident withholding go to [ftb.ca.gov](http://ftb.ca.gov) and search for **nonresident withholding**. To speak to a representative regarding this form, call Withholding Services and Compliance automated telephone service at: **888.792.4900** or **916.845.4900**.

OR write to:

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

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

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT  
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