

2015

Nonresident Reduced Withholding Request

589

Part I Withholding Agent

Business name, SSN or ITIN, FEIN, CA Corp no., CA SOS file no., First name, Initial, Last name, Address, Fax, City, State, ZIP Code, Telephone, Venue

Part II Payee

Business name, SSN or ITIN, FEIN, CA Corp no., CA SOS file no., First name, Initial, Last name, DBA, Address, Fax, City, State, ZIP Code

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, I Other, Date(s) of Service

Part IV Withholding Computation

Table with 14 rows for expenses: 1 Gross California Source Payment, 2 Advertising, 3 Commissions and fees, 4 Cost of labor, 5 Insurance, 6 Legal, professional, and/or management fees, 7 Rent or lease, 8 Supplies, 9 Travel, meals, and entertainment, 10-11 Other Expenses, 12 Total Amount of Expenses, 13 Net California Source Payment, 14 Withholding Amount.

Sign Here: Under penalties of perjury, I hereby certify that the information provided is, to the best of my knowledge, true and correct. Preparer's Use Only: Print or type preparer's name, Preparer's signature, Telephone, Date, PTIN

# 2015 Instructions for Form 589

## Nonresident Reduced Withholding Request

### General Information

Form 589, Nonresident Reduced Withholding Request, is a request for a reduced withholding amount and does not guarantee the nonresident payee a reduction in withholding unless approved by the Franchise Tax Board (FTB) prior to the payment for services being performed.

A nonresident taxpayer has the option to use Form 589 to apply for a reduction in the amount to be withheld (see California Revenue and Taxation Code (R&TC) Section 18662).

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.

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

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.

**Do Not Round Cents to Dollars** – On this form, do not round cents to the nearest whole dollar. Enter the amounts with dollars and cents as actually withheld.

### A Purpose

Use Form 589 to request a reduction in the standard 7% withholding amount that is applicable to California source payments made to nonresidents.

**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 partner may request to reduce or eliminate withholding of California tax on effectively connected taxable income (ECTI) from California sources allocable to a foreign partner (Federal Treasury Regulation

1.1446-6). The foreign partner must first sign and send federal Form 8804-C, Certificate of Partner-Level Items to Reduce Section 1446 Withholding, to the partnership. The foreign partner must sign and send Form 589 to the 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.

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 file a Form 588, Nonresident Withholding Waiver Request, to request a withholding waiver.

Form 589 does not apply to payments of backup withholding. For more information on California backup withholding, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

Form 589 does not apply to payments 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).

### B When and Where to File

The payee must complete and submit Form 589 to the FTB before receiving payment for services. Failure to submit a timely request may result in a 7% withholding requirement.

**Online filing** – Form 589 can be submitted online. If you file Form 589 online and you need to submit additional documentation, (i.e. federal Form 8804-C, federal Schedule E (Form 1040), Supplemental Income and Loss 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, Taxpayer Identification Number (TIN), and the confirmation number of your online Form 589 submission. For more information about Form 589 online submission, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **589 online**.

Allow **10** business days for processing Form 589 submitted online.

**Paper filing** – Form 589 can be submitted by mail. Submit requests by mail to:

Submit requests by mail to:

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

Allow **21** business days for processing Form 589 submitted by mail.

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 review of the request and supporting documentation, the FTB will make a determination of how much withholding is appropriate for the services performed. 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 should retain the determination letter for a minimum of four years and must provide it to the FTB upon request.

**Requirement to File a California Tax Return** – A determination letter from the FTB reducing withholding does not eliminate the requirement to file a California tax return and pay the tax due.

You may be assessed a penalty if:

- You do not file a California tax return.
- You file your tax return late.
- The amount of withholding does not satisfy your tax liability.

**How to Claim Non-Wage Withholding Credit** – Claim your non-wage withholding credit on one of the following:

- Form 540, California Resident Income Tax Return
- Form 540NR Long, California Nonresident or Part-Year Resident Income Tax Return
- Form 541, California Fiduciary Income Tax Return
- Form 100, California Corporation Franchise or Income Tax Return
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100W, California Corporation Franchise or Income Tax Return – Water's Edge Filers
- Form 109, California Exempt Organization Business Income Tax Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

### C Amending Form 589

Amended forms can only be filed by the payee. To amend Form 589:

- Complete a new Form 589 for the appropriate year with the correct information.
- Write "Amended" at the top of the amended form.
- Include a letter explaining what changes were made and why.
- Send the amended form and letter to the address listed under General Information B, When and Where to File.

## Specific Instructions

Use black or blue ink to complete this form.

**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.

**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.

You must provide an acceptable TIN as requested on this form. 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 California Secretary of State (CA SOS) file number.

### Part I – Withholding Agent

Enter only business or individual information, not both, and check the appropriate TIN box. The withholding agent is the party that will be providing payment to the payee for services performed.

### Part II – Payee

Enter only business or individual information, not both, and check the appropriate TIN box for the payee who will be performing the services.

**Doing Business As (DBA)** – If you are a sole proprietor or entertainer, and performing under a different name, include the DBA in this field. **Do not** enter a business name.

### 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 Computation

**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 7% 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 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. **Do not** include rent for rental property.

#### 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. If additional space is needed, attach a separate schedule that lists the type and amount of each expense.

A foreign partner must attach a completed and signed federal Form 8804-C, including documentation on the California expenses, 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 depreciation, principle on the mortgage payment, or second mortgage.

**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.

#### 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 7% withholding.

#### Line 14 – Withholding Amount

Multiply the amount on line 13 by 7%. 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.

## Payee’s Signature

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

## Additional Information

For additional information or to speak to a representative regarding this form, call the Withholding Services and Compliance telephone service at **888.792.4900** or **916.845.4900**.

OR write to:

WITHHOLDING SERVICES AND  
COMPLIANCE MS F182  
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**.

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**  
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**  
Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos  
TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla