

# Instructions for Form 588

## Nonresident Withholding Waiver Request

### 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.** There are no provisions in the California Revenue and Taxation Code (R&TC) to waive 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 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. The withholding rate is seven percent unless a waiver is granted by the Franchise Tax Board (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. There are no provisions in the California R&TC to waive withholding for foreign (non-U.S.) S corporation shareholders, partners, or members.
- Other California source income paid to nonresidents.

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, Payment Voucher for Foreign Partner or Member Withholding, to remit withholding to the FTB. All withholding payments must be submitted with a voucher.

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

#### 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 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 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** — 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) number form 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.

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

## Where to get Publications, Forms, and Information

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

**By Phone:** To have publications or forms mailed to you, or to get additional nonresident withholding information, contact Withholding Services and Compliance at the address or automated telephone number below:

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

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

**By Automated Phone Service:** Use this service to check the status of your refund, order California forms, obtain payment and balance due information, and hear recorded answers to general questions. This service is available 24 hours a day, 7 days a week, in English and Spanish.

Telephone: 800.338.0505 from within the United States  
916.845.6600 from outside the United States

Follow the recorded instructions. Have paper and pencil available to take notes.

**By Mail:** Allow two weeks to receive your order. If you live outside of California, allow three weeks to receive your order. Write to:

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

**In Person:** Many libraries now have internet access. A nominal fee may apply to download, view, and print California forms and publications. Employees at libraries cannot provide tax information or assistance.

## 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