

Nonresident Withholding Allocation Worksheet

The payee completes this form and returns it to the withholding agent.

Part I Withholding Agent

Withholding agent's name

Address (apt./ste., room, PO Box, or PMB no.)

City (If you have a foreign address, see instructions.)

State

ZIP Code

Part II Nonresident Payee

Payee's name

SSN or ITIN FEIN CA Corp no. CA SOS file no.

Address (apt./ste., room, PO Box, or PMB no.)

City (If you have a foreign address, see instructions.)

State

ZIP Code

Nonresident payee's entity type: (Check one)

- Individual/sole proprietor Corporation Partnership Limited liability company (LLC) Estate or trust

Part III Payment Type

Nonresident payee: (Check one)

- Performs services totally outside California... Provides goods and services in California... Provides services within and outside California... Other (Describe)

If the nonresident payee performs all the services within California, withholding is required on the entire payment for services unless the payee is granted a withholding waiver from the Franchise Tax Board (FTB).

Part IV Income Allocation

Gross payments expected from the withholding agent during the calendar year for:

Table with 4 columns: (a) Within California, (b) Outside California, (c) Total payments. Rows include Goods and services, Rents or lease payments, Royalty payments, Prizes and other winnings, Other payments, Total payments subject to withholding, Nonresident withholding threshold amount, Backup withholding threshold amount.

Certification of Nonresident Payee

Under penalties of perjury, I certify that the information provided on this document is true and correct. If the reported facts change, I will promptly inform the withholding agent.

Sign Here

Form with fields for Payee's name, signature, date, telephone, and authorized representative's name, signature, date.

# Instructions for Form 587

## Nonresident Withholding Allocation Worksheet

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

### General Information

**Backup Withholding** – 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) on income sourced to California. 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 California Secretary of State (CA SOS) file number. Failure to provide a valid TIN will result in the denial of the backup withholding credit.

### A Purpose

Use Form 587, Nonresident Withholding Allocation Worksheet, to determine if withholding is required, and the amount of California source income subject to withholding.

Withholding is not required if payees are residents or have a permanent place of business in California. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

**Do not** use Form 587 if any of the following applies:

- You sold California real estate. Use Form 593-C, Real Estate Withholding Certificate.
- The payee is a resident of California or is a non-grantor trust that has at least one California resident trustee. Use Form 590, Withholding Exemption Certificate.
- The payee is a corporation, partnership, or limited liability company (LLC) that has a permanent place of business in California or is qualified to do business

in California. Foreign corporations must be qualified to transact intrastate business. Use Form 590.

- The payment is to an estate and the decedent was a California resident. Use Form 590.

Form 587 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 When to Complete

The withholding agent requests that the nonresident payee completes, signs, and returns Form 587 to the withholding agent when a contract is entered into and before a payment is made to the payee. The withholding agent relies on the certification made by the payee to determine the amount of withholding required, provided the completed and signed Form 587 is accepted in good faith.

Form 587 remains valid for the duration of the contract (or term of payments), provided there is no material change in the facts. By signing Form 587, the payee agrees to promptly notify the withholding agent of any changes in the facts.

The withholding agent retains Form 587 for a minimum of four years and must provide it to the FTB upon request.

### C Income Subject to Withholding

California Revenue and Taxation Code (R&TC) Section 18662 and the related regulations require withholding of income or franchise tax on certain payments made to nonresidents (including individuals, corporations, partnerships, LLCs, estates, and trusts) for income received from California sources.

Withholding is required if total payments of California source income to the nonresident payee during the calendar year exceed \$1,500. The withholding rate is 7% unless the FTB grants a waiver. See General Information D, Waivers/Reductions.

Payments subject to withholding include the following:

- Payments for services performed in California by nonresidents.

- Payments made in connection with a California performance.
- Rent paid to nonresidents if the rent is paid in the course of the withholding agent's business.
- Royalties from natural resources paid to nonresidents from business activities in California.
- Payments of prizes for contests entered in California.
- Distributions of California source income to nonresident beneficiaries from an estate or trust.
- Endorsement payments received for services performed in California.
- Other payments of California source income made to nonresidents.

Payments not subject to withholding include payments:

- To a resident of California or to a corporation, LLC, or partnership, with a permanent place of business in California.
- To a corporation qualified to do business in California.
- For sale of goods.
- For income from intangible personal property, such as interest and dividends, unless the property has acquired a business situs in California.
- For services performed outside of California.
- To a payee that is a tax-exempt organization under either California or federal law, use Form 590.
- To a payee that is a government entity.
- To reimburse a payee for expenses relating to services performed in California if the reimbursement is separately accounted for and not subject to federal Form 1099 reporting. Corporate payees, for purposes of this exception, are treated as individual persons.

### D Waivers/Reductions

A nonresident payee may request that withholding be waived. To apply for a withholding waiver, use Form 588, Nonresident Withholding Waiver Request. A nonresident taxpayer has the option to request a reduction in the amount to be withheld. To apply for a withholding reduction, use Form 589, Nonresident Reduced Withholding Request. FTB does not grant reductions or waivers for backup withholding.

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## E Requirement to File a California Tax Return

A payee's exemption certification on Form 587, Form 590, or a determination letter from the FTB waiving withholding does not eliminate the requirement to file a California tax return and pay the tax due. For tax return filing requirements, see the instructions for Long or Short Form 540NR, 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; or Form 100S, California S Corporation Franchise or Income Tax Return.

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### Specific Instructions

**Definitions** – For withholding terms and definitions, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **withholding terms**.

**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 – Withholding Agent

Enter the withholding agent's business or individual information, not both.

#### Part II – Nonresident Payee

Enter the payee's business or individual information, not both. Check the appropriate TIN box and provide the ID number.

#### Part III – Payment Type

The nonresident payee must check the box that identifies the type of payment being received.

#### Part IV – Income Allocation

Use Part IV to identify payments that are subject to withholding. Only payments sourced within California are subject to withholding. Services performed in California are sourced in California. In the case of payments for services performed when part of the services are performed outside California, enter the amount paid for performing services within California in column (a). Enter the amount paid for performing services while outside

California in column (b). Enter the total amount paid for services in column (c).

If the payee's trade, business, or profession carried on in California is an integral part of a unitary business carried on within and outside California, the amounts included on line 1 through line 5 should be computed by applying the payee's California apportionment percentage (determined in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act) to the payment amounts. For more information on apportionment, get Schedule R, Apportionment and Allocation of Income.

#### Withholding Agent

Withholding, excluding backup 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. If backup withholding is required, there is no set minimum threshold and it supersedes all types of withholding. If circumstances change during the year (such as the total amount of payments), which would change the amount on line 6, the payee must submit a new Form 587 to the withholding agent reflecting those changes. The withholding agent should evaluate the need for a new Form 587 when a change in facts occurs.

#### Certification of Nonresident Payee

The payee and/or the authorized representative must complete, sign, date, and return this form to the withholding agent.

Authorized representatives include those persons the payee authorized to act on their behalf through a power of attorney, a third party designee, or other individual taxpayers authorized to view their confidential tax data via a waiver or release.

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### Additional Information

For additional information or to speak to a representative regarding this form, call the Withholding Services and Compliance 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

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