

# A primer on withholding for California nonresidents

California is not just a great state for fun in the sun and breathtaking scenery; it's a big draw for physicians working locum tenens. When working locum tenens assignments in California as a nonresident, there are a few things to know and work through with your tax advisor.

California (CA) tax law Code Section 18662 and related regulations require the withholding of California income tax at a flat rate of 7 percent on all compensation paid to nonresident independent contractors (physicians) performing services in CA. The tax withholding and the gross compensation paid on CA assignments are annually reported on CA Form 592-B to the physician and the state similar to the Federal Form 1099-MISC reporting. This withholding and reporting does not apply to CA residents.

The withholding also applies to the payments made to nonresident professional or personal service corporations or other types of entities that are not registered and not filing corporate income tax returns in CA.

No withholding is required if the payments to the physician or corporation will not exceed \$1,500 in the calendar year.

The physician or professional corporation performing the service will offset the withholding reported to them on Form 592-B against their annual CA income tax return liability similar to the federal and state income tax withholding reported on Form W-2 to employees.

Nonresident physicians or their professional corporations can avoid the withholding only if they provide the locum tenens agency an executed Withholding Exemption Certificate, CA Form 590. To complete the Form the physician must represent, under penalties of perjury, that he or she is a CA resident or their corporation has a permanent place of business in CA or is qualified to do business in CA.

More information and the forms can be secured from the state of California on their website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**Disclaimer:** Tax information contained in this document is not intended to be used, and cannot be used, by any person as a basis for avoiding tax penalties that may be imposed by the IRS or any state. We recommend each taxpayer seek advice based on their circumstances from an independent tax advisor.

