

Tax withholding for California nonresidents

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California is a popular state for physicians working locum tenens. If you'll be working here as a nonresident, keep these five things in mind.

7% state income tax withholding

Nonresident independent contractors working assignments in California are subject to 7% state income tax withholding if the total annual payments in that state exceed \$1,500. This withholding does not apply to California residents.

CA Form 592-B

The tax withholding and gross compensation paid on California assignments are annually reported on [CA Form 592-B](#) to the physician and the state, similar to the Federal Form 1099-MISC reporting.

Service corporations and other entities

The 7% withholding also applies to payments made to nonresident professional or personal service corporations or other entities not registered and not filing corporate income tax returns in California.

Offsetting the withholding on tax returns

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

CA Form 590 (Withholding Exemption Certificate)

Nonresident physicians or their professional corporations can avoid the withholding only if they give the locum tenens agency an executed Withholding Exemption Certificate, [CA Form 590](#). To complete the form, the physician must show they are a California resident or that their corporation has a permanent place of business in California or is qualified to do business in California. Get more information and download all forms at California's Franchise Tax Board website, 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.

