

Withholding from Nonresidents for Personal Services

The 1997 session of the North Carolina General Assembly enacted legislation requiring employers to withhold taxes from payments for personal services to nonresidents (i.e. out-of-state). Effective January 1, 1998, every payer who pays a nonresident contractor for a performance, an entertainment, or athletic event, a speech, or the creation of a film, radio, or television program more than \$1,500 during a calendar year must deduct and withhold income tax from compensation at a rate of 4%. The taxes the payer withholds are held in trust for the North Carolina Secretary of Revenue.

We determined that you are a nonresident entity who performed personal services in North Carolina for compensation other than wages for which you are due payment on or after January 1, 1998. Therefore, we are withholding 4% of the payment due to you.

Nonresident entities are defined as: (1) a foreign (out-of-state) limited liability company, (2) a foreign limited partnership or a general partnership formed under the laws of any jurisdiction outside North Carolina, or (3) a foreign corporation.

There are exceptions to the withholding requirement. No tax is required to be withheld from partnerships that have a permanent place of business in North Carolina. The partnership must furnish us their taxpayer identification number and address to be eligible for this exception.

No tax is required to be withheld from a foreign limited liability company or foreign corporation that has obtained a certificate of authority from the N. C. Secretary of State. The identification number provided by the Secretary of State must be furnished to us to qualify for the exception. Please note, this is not the same as a federal identification number. An application for a certificate of authority may be obtained by:

- Writing to the Secretary of State, Corporations Division, 300 N. Salisbury Street, Raleigh, NC 27603-5909
- Faxing the Secretary of State at (919) 733-1837
- Downloading from the Secretary of State's website at <http://www.state.nc.us/secstate/>

If you have any questions, please contact the Accounts Payable Department at UNC Greensboro at (336) 334-5795/fax (336) 334-3131 or mail inquiries to:

UNC Greensboro
Accounts Payable
P.O. Box 26173
Greensboro, NC 27402-6173