

FLYSHEET AN-40
CALIFORNIA WITHHOLDING TAX AT SOURCE

- A. Under California Law, The Boeing Company is required to withhold income tax on "qualified payments" made to nonresidents of California. Qualified payments are defined to include:
1. Payment for the performance of services in California by a nonresident, or
 2. Payment of rent to a nonresident for the use of tangible property (i.e., real or personal) located in California.
- B. A "nonresident" is defined to include:
1. An individual who is NOT a resident of California, or
 2. A Corporation which does NOT have a permanent place of business in California as evidenced by a lack of a California Corporation Number, or
 3. A Partnership which does NOT have a permanent place of business in California (e.g., no office in California).
- Article B-1, above, includes both a nonresident who operates under his/her own name, i.e., an independent contractor, as well as sole proprietorship operated by a nonresident individual.
- Article B-2, a Corporation which is incorporated outside the state of California and which has not obtained a "Certificate of Qualification" from the California Secretary of State will not have a California Corporation Number. Therefore, the Corporation qualifies as a nonresident corporation/person.
- C. A California Form 590 - "Withholding Exemption Certificate" can be obtained from the IRS "State Tax Form" web page at http://www.irs.ustreas.gov/prod/forms_pubs/ftaframes.html. It will be necessary to determine whether your company qualifies for an exemption from withholding by referring to the details on both sides of the Form 590. If you do qualify, the form must be completed and returned with your proposal. **IN THE ABSENCE OF RECEIPT OF THE FORM, IT WILL BE ASSUMED THAT YOU DO NOT QUALIFY.**
- D. In those instances where withholding is required, the tax rate is seven and three-quarters percent (7.75%) of gross receipt SOURCED TO CALIFORNIA. For services which are partially performed in California, an allocation of personal services billed within and without California must be provided. An allocation based upon hours or days worked is an acceptable method.

END