



University of North Carolina Wilmington
Nonresident withholding guidelines

4% Withholding on Nonresident Personal Services

If you receive compensation from UNCW in excess of \$1500.00 during a calendar year as a nonresident contractor of personal services in North Carolina, the payer (UNCW) must withhold North Carolina Income Tax at the rate of 4%.

For this tax, the North Carolina Department of Revenue lists the following definitions that are applicable with respect to withholding from non-wage compensation paid to nonresidents for personal services performed in North Carolina: (see nc30 found on www.dornnc.com website)

- (A) Contractor:** A nonresident individual who performs, or a nonresident entity that provides for the performance of personal services in connection with a performance, an entertainment or athletic event, a speech, or the creation of a film, radio, or television program.
- (B) Compensation:** Consideration a payer pays a nonresident individual or nonresident entity for personal services performed in North Carolina.
- (C) Nonresident Entity:** Any of the following:
- ❖ A foreign limited liability company that has not obtained a certificate of authority from the Secretary of State pursuant to Article 7 of Chapter 57C of the General Statutes.
 - ❖ A foreign limited partnership or a general partnership formed under the laws of any jurisdiction other than North Carolina, unless the partnership maintains a permanent place of business in North Carolina
 - ❖ A foreign corporation that has not obtained a certificate of authority from the Secretary of State pursuant to Article 15 of Chapter 55 of the General Statutes.
- (D) Payer:** A person or business, in the course of a trade or business, pays a nonresident individual or a nonresident entity compensation for personal services performed in North Carolina.
- (E) Personal services income:** Non-wage compensation
- (F) Withholding agent:** An employer or a payer.

Withholding Requirement:

Withholding is only required if the contractor is paid more than \$1500.00 during the calendar year. If, at the time payments are made, the payer doesn't believe the payments will exceed the \$1500.00 level, then no withholding is required. However, if payments made later in the year cause the total of payments received to date to exceed \$1500.00 then the payer is required to withhold the 4% from the payment that caused the total to exceed the \$1500.00, as well as any subsequent payments. The payer is not required to withhold tax from the additional compensation to make up for the tax that was not withheld on earlier payments. If the payer expects to pay a contractor more than \$1500.00 during a year, the payer then must withhold 4% from all payments issued even if the first payment does not exceed the \$1500.00.

Examples of Services Subject to 4% withholding:

- ❖ Speeches at symposiums
- ❖ Concerts
- ❖ Dance Group Performances/Actors
- ❖ Keynote Speakers

Contractors Exempt from 4% Withholding:

- (1) Corporations or Limited Liability Companies that have obtained a certificate of authority from the Secretary of State.
- (2) A partnership that has a permanent place of business in North Carolina
- (3) Any entity that is exempt from North Carolina corporate income tax
- (4) An individual who is an ordained or licensed member of the clergy
- (5) Resident of North Carolina

For additional information on the 4% NC withholding please contact the Tax Department at extension 22757.