Pennsylvania
Withholding on Payments to Individuals

ABA Meeting
February 22, 2018
Agenda

- PA Act 43
- Who is subject to withholding?
- Steps taken
- Refunds
- Process for new vendors
- 1099-MISC
New Pennsylvania law that requires withholding on certain payments to individuals

- Effective January 1, 2018
- Signed into law October 30, 2017
- Initial guidance provided by the state on December 14, 2017
Who is Subject to Withholding?

- Lease payments
  - Individuals or LLCs electing to be taxed as individuals
  - Who are non-residents of Pennsylvania
  - On property located in Pennsylvania
Who is Subject to Withholding?

- Non-employee compensation
  - Individuals or LLCs electing to be taxed as individuals
  - Who are non-residents of Pennsylvania
  - Performing services in Pennsylvania
  - Receiving Payments that are reported in Box 7 on Form 1099-MISC
Steps Taken

- Withholding started 1/1/18
  - Withholding of $9,700 for 115 vendors thru 1/31
- Self-identification letters to 1,200 vendors 1/29/18
  - School/Center concurrence
  - Services split between inside and outside of PA will be subject to withholding
  - Response date 2/28/18
- New vendor self-identification process
Refunds

- Grace period for taxes withheld in January and February
- Vendors must wait until the following year to request a refund for the withheld tax where they have little or no PA tax liability
Ongoing New Vendor Process

- Questioning to be added to the new PME (supplier portal) on-boarding workflow of new PO suppliers (where are services rendered)
- New suppliers will flagged for withholding
- Changes can be communicated to Supplier Maintenance (Purchasing)
1099-MISC

- Individuals with PA tax withholding will receive a 1099-MISC
- PA will also receive a copy of the 1099-MISC