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Subject: State Withholding on Nonemployee Compensation
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The following is being sent on behalf of Corporate Tax, Compliance, and Payroll

This message is intended for anyone paying service suppliers.

Several states require withholding on nonemployee compensation paid to nonresidents of the state similar to the withholding requirements of the Commonwealth of Pennsylvania. The University is implementing a process to automate the state withholding and to ensure compliance with withholding requirements in all states. The current process of identifying individuals subject to withholding requires a manual review of invoices to determine where the location of services was provided.

Change to the Requisition and Purchase Order Processes

Effective January 16, 2024, the requisition and purchase order processes are changing to require the location where the predominance of services are to be provided by the supplier to be entered when creating the Requisition. This change will be effective for all requisitions and purchase orders that have a “services” object code. A notification will appear on the PO sent to the supplier that “Some states require withholding for nonresidents; the location Penn has identified you providing the predominance of services in is: <STATE>. Please use the PO Contact Information for corrections.” If notified by the supplier that the location of services is incorrect, the Buyer can run the “Penn: Update where Supplier will Render Services for the PO” report in BEN Financials in the PO Manager responsibility to update the location of services.

Additionally, purchase order change orders created on or after January 16, 2024, will require the location of services be added, even if the original purchase order was created prior to January 16.

The location of service will be a required field for all requisitions, purchase orders, and change orders that use a “services” object code. Service categories have been mapped to their respective service object codes in BEN Financials. An enhancement will be rolled out later in 2024 that will prevent the requisition from being submitted if the service category and object codes are not in alignment.

Non-PO payment requests currently capture the location of services. This information is being integrated into BEN Financials to calculate the tax withholding.

State Tax Withholding

The tax withholding for California, North Carolina and South Carolina will begin in Spring 2024. Tax will be withheld on nonresidents performing services in these states on:

- Invoices received after the Spring tax withholding implementation date for POs and change orders created on or after January 16, 2024; and for
- Non-PO payment requests created on or after the Spring tax withholding implementation date.

Because POs created prior to January 16, 2024, will not have a location of service, no withholding will occur on invoices matched against these POs for California, North Carolina, and South Carolina. Nonresidents of Pennsylvania performing work in the Commonwealth will continue to have Pennsylvania tax withheld as the current manual process for reviewing these invoices will continue during the transition period.

If you have any questions, please submit a ticket to [BEN Helps](#) or call 215-746-HELP (215-746-4357).