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Subject: Implementation of 1099 State Tax Withholding on Services Provided by Non-residents of the State where the Service was Performed
Date: Thursday, January 2, 2025 12:07:00 PM

The below message is sent on behalf of Corporate Tax, Compliance, and Payroll

Beginning January 2, 2025, the University has automated its calculation of tax withholding on service suppliers who are non-residents of Pennsylvania, California, North Carolina, and South Carolina and who are performing services in those states. This is the second phase of automating the tax withholding process.

The first phase of this project, implemented on January 16, 2024, required that the location where services were provided be entered for all new purchase orders and change orders. With the implementation of this second phase:

- Invoices matched against POs or Change POs approved after 1/15/24 will have state tax withheld where applicable
- Invoices matched against POs or Change POs approved before 1/16/24 will not have state tax withheld as the purchase order does not have a location of service where applicable
 - However, nonresidents of PA performing work in PA will continue to be subject to PA withholding as the current manual process will continue during the transition period
- Non-PO payment requests will have state tax withheld where applicable when processed

How this impacts Buyers

There is little impact to Buyers with this implementation. With this change, however, we want to remind buyers that when preparing requisitions with both goods and services, that the goods and services be listed on separate lines on the Purchase Order to avoid over- or under-withholding.

Note: Catering with servers and/or bartenders should have separate lines on the Purchase Order to segregate the costs of the servers/bartenders (using object codes 5319 or 5339) from the costs of the food and alcohol (using object code 5214).

How this impacts Suppliers

There should be no impact to suppliers who are non-residents of Pennsylvania performing services in Pennsylvania. The University has been withholding Pennsylvania state tax on those impacted by the Commonwealth's withholding requirements since they went into effect in 2018.

Suppliers who are non-residents of California, North Carolina, and South Carolina will now have state taxes withheld on services performed in those states as outlined above. Notice of

potential state holding to the supplier is included on all purchase and change orders created on or after January 16, 2024.

If you have any questions, please contact [BEN Helps](#) and select the category “AP/Payment Processing” and then the topic “State Tax Withholding on Service Suppliers”.