

Department of Revenue > Tax Information > Tax Types and Information > Nonresident Withholding

## NONRESIDENT WITHHOLDING

Pennsylvania law requires withholding at a rate of 3.07 percent on non-wage Pennsylvania source income payments made to nonresidents. Withholding of payments that are less than \$5,000 during the calendar year are optional and at the discretion of the payor.

Failure to comply with the withholding requirement may make you liable for the amount you should have withheld, plus penalties and interest. If you are unsure of the total amount of payments that will be made during the year, the Department of Revenue encourages you to withhold and remit income tax from all payments made.

### GENERAL RULES

Nonresident withholding applies if all of the following are true:

- You are responsible for making payments of non-wage income from Pennsylvania sources (commercial leases, royalties, services rendered, etc.).
- The payment will exceed \$5,000 per payee in the calendar year.
- The payment is made to a resident of another state.

Additionally, nonresidents are typically:

- Individuals who do not live in Pennsylvania.
- Business entities that do not have a permanent place of business in Pennsylvania.
- Estates whose decedent was not a Pennsylvania resident at the time of their death.
- Trusts with no Pennsylvania resident settlors.

The nonresident withholding requirement does **NOT** apply to:

- Wages paid to employees (see reciprocity rules).
- Payments for goods and materials.
- Sales of real estate located outside of Pennsylvania.
- Residential rental agreements or residential lease payments.

Nonresident withholding is not required when:

- The payee is a corporation.
- The payee is a partnership or multi-member liability company.
- The payee is a nonresident with no PA source income.
- The payee is a disregarded entity owned by a corporation or partnership.