OFFICE OF THE CONTROLLER POLICY 10 NC STATE TAX
WITHHOLDING FOR NONRESIDENT CONTRACTORS

The University of North Carolina at Greensboro

Approved by Steve Honeycutt, Interim AVC for Finance, July 1, 2021

Revised July 1, 2021

1. **Purpose**

   This policy outlines the University’s general policy related to tax withholding on nonresident contractors. This case only refers to an NC out of state entity --- it does not relate to a non-US entity.

2. **Scope**

   This policy applies to all University departments, units, and divisions.

3. **Definitions and Roles and Responsibilities**

   3.1 **Definitions**

   **Nonresident Individual** – An individual who does not reside in North Carolina.

   **Nonresident Entity** – A foreign limited liability company, a foreign corporation, and a foreign limited partnership or a general partnership formed under the laws of any jurisdiction other than NC

   “Foreign” Means out-of-state.

   **NC Certificate of Authority** - A Certificate of Authority is the legal authorization which a foreign entity must obtain in order to be able to conduct its affairs in this state. An Entity already registered in another state or country must qualify to conduct business in North Carolina by filing an Application for a Certificate of Authority.

4. **Policy**

   The 1997 session of the General Assembly enacted legislation which requires the University to withhold 4% for State income tax on non-wage compensation paid to nonresident (i.e., out-of-state) contractors for personal services unless certain criteria are met.

   The tax withholding requirement applies to payments made on or after January 1, 1998. The tax withholding requirement does not apply to purchases of goods, but rather is limited to the purchase of services. Also, the tax withholding requirement does not affect the payments of salaries and wages made to University faculty, staff, student, and temporary employees. This requirement does affect payments made to independent contractors, partnerships, corporations, and other businesses. Payments for personal services are currently processed by one of the following methods:
1) Invoice associated with a Purchase Order
2) BANCPS Contracted Personal Services
3) BANHON Honoria

The Accounts Payable department will review the disbursements made using these various methods and ensure that the tax withholding and reporting requirements are followed.

5. Compliance and Enforcement

The University Controller is responsible for ensuring compliance with this policy.

6. Additional Information

6.1 Supporting Documents
- NCDOR Directive
- Register a Foreign Business
- BANCPS
- BANHON

6.2 Approval Authority

This policy should be approved by the Interim Associate Vice Chancellor for Finance.

6.3 Contacts for Additional Information and Reporting
- Responsible Executive: Melissa Hoff, University Controller, (336)334-5795, mshoff@uncg.edu
- Responsible Administrator: Robin Jones, Accounts Payable Manager, (336)334-5740, r_jones5@uncg.edu