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Subject: 1099 State Tax Withholding on Services provided by Non-residents of the State the Service was performed
Date: Wednesday, December 4, 2024 9:32:00 AM

The following correspondence is being sent on behalf of the Corporate Tax, Compliance and Department:

Beginning January 2, 2025, the University is implementing changes to improve compliance with state tax withholding on non-wage source income, usually services, earned in a state by non-residents of that state. These changes will automate the withholding of taxes on suppliers who are non-residents of Pennsylvania, California, North Carolina, and South Carolina who are performing services in those states.

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, effective January 2, 2025:

- 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

Reminder

Any Purchase Orders that include the purchase of both goods and services should have the goods and the services listed on separate lines on the Purchase Order to avoid over- or under-withholding of state tax. The quote received from the supplier should provide this segregation of goods and services costs.

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).

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”.