



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

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Memorandum #2010-15

TO: Local Government Officials and Their Independent Auditors

FROM: Sharon Edmundson, Director, Fiscal Management

SUBJECT: State withholding on Contractors Identified by an Individual Taxpayer Identification Number (ITIN)

DATE: October 1, 2009

Effective Jan. 1, 2010, any payer that pays an Individual Taxpayer Identification Number (ITIN) holder more than \$1,500 a year for must withhold 4% of that pay, to be remitted to the NC Department of Revenue. ITINs are issued by the Internal Revenue Service to people who are not eligible to receive a social security number. Payers can be businesses, organizations, including governments, or individuals.

This new law applies to compensation "other than wages," which means pay from which state and federal income taxes are not withheld. ITIN holders who are paid as employees as opposed to contractors, and who already have state and federal taxes withheld from their pay are not subject to additional withholding.

Payers should file and pay withholding taxes on contractors with ITINs just like they would for regular employees (using the same online process or forms and the same filing and paying frequency already used for filing and remitting state withholding taxes). Payers that are subject to this new withholding requirement and that don't currently file and pay withholding taxes must register with the state and receive a withholding account number so they can begin filing and paying the taxes.

The payer must also furnish two copies of Form NC-1099PS to the contractor by January 31st following the calendar year in which the compensation was paid. This form can be found and completed on the NC Department of Revenue website at www.dor.state.nc.us. If you do not have access to this form, the Department of Revenue will accept a Form 1099-MISC in lieu of the Form NC-1099PS.

As with any payroll-related issue, please seek the assistance and guidance of your payroll advisor and independent auditor before making any changes to your policies and procedures.

For more information, please contact the NC Department of Revenue at the website listed above or at 1-877-252-3052 or Manasa Cooper at (919) 803-2390 or via e-mail at manasa.cooper@nctreasurer.com.