Scenarios

Dr. Jim Snow from Arlington, Texas comes to UNC in May to present a lecture in the Department of Philosophy. The department has agreed to pay him $1,000 for his time. This is the first time he has lectured at UNC and because he is being paid less than $1,500, no tax will be withheld. In November Dr. Snow is invited by the Department of Sociology to lecture at a cost of $2500.00. Because this visit to UNC is in the same calendar year, $2000 of this $2500 will have 4% withheld for tax. His total compensation for this second trip will be $2420.00. In January of the following year he will be issued a 1099 for $3500, and a 1099PS showing the $80 withheld.

A nonresident corporation contracts for $10,000 to provide an entertainment event. The corporation’s representative spends 2 days on campus to help and spends 8 days outside NC performing services related to the event. The amount of withholding would be $20 which represents 4% of $500.00. The amount of $500.00 is subject to withholding since 20% of the time was spent working in NC at a fee rate of $1,000 per day and the first $1500.00 paid is not subject to withholding. The vendor will need to indicate on the invoice the number of duty days in NC and outside of NC. The absence of such information will necessitate withholding on the entire amount.

A nonresident individual contracts to create a web page for a UNC department for $3500.00. All the work is done from the contractor’s home outside North Carolina. There is no NC tax obligation.

How To

APPLICABILITY OF
4%
NC WITHOLDING

Procurement Services
104 Airport Drive
Campus Box #1100
Chapel Hill, NC 27599

Revised: 05/31/2011

Website:
http://finance.unc.edu/procurement-services/procurement/welcome.html
Definitions and Exemptions

**Duty Day Explanation:**
If the nonresident contractor performs the contracted service in more than one state, the University must withhold NC tax only from the portion of the compensation that is attributable to this State. In determining the portion of compensation subject to withholding of NC income tax, a nonresident contractor performing contracted service in NC, and one or more other states, must use a method of determining NC source income that fairly and equitably apportions and allocates the compensation for services rendered in NC.

The NC Department of Revenue recommends that contractors use the “duty day” day method to allocate the compensation to NC. A duty day is any day or part of a day in which an activity connected with the service is performed. The nonresident contractor’s compensation which is subject to withholding is determined by allocating the total compensation to the duty days spent in NC rendering services and to the duty days spent outside of NC rendering services.

**Certificate of Authority:**
A certificate of authority does not apply to individuals or partnerships, but only to limited liability companies and foreign corporations and is obtained through the NC Secretary of State Corporate Divisions Office.

**Withholding Exemption:**
The University may not withhold 4% when otherwise applicable if:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Nonresident Individual</th>
<th>LLC</th>
<th>Foreign Limited Partnership</th>
<th>Foreign Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides UNC-CH</td>
<td>NC Address and Social Security Number</td>
<td>Corporate ID Number</td>
<td>NC Address and Federal TIN</td>
<td>Corporate ID Number</td>
</tr>
</tbody>
</table>

4% of the non-wage compensation will be withheld when the compensation exceeds $1500 in a calendar year. UNC-CH Disbursement Services will issue a 1099-MISC and/or NC 1099-PS by January 31 of following taxable year.

For questions on how to retrieve withheld money, please contact NC Department of Revenue at: http://www.dornc.com/taxes/wh_tax/faq.html

Still have questions about 4% NC withholding or not sure what to do? Send us an email at: disbursementsteam@unc.edu