



DREXEL UNIVERSITY

Accounts Payable

June 28, 2018

New Pennsylvania Law Withholding Tax Requirements for 1099-Misc Payments

Beginning January 1, 2018, the Commonwealth of Pennsylvania requires the University and its subsidiaries to withhold from certain payments an amount equal to the tax rate specified per 72 P.S. §7302 (currently, 3.07%). This requirement applies to the following types of payments to non-Pennsylvania residents:

- Payments of Pennsylvania source non-employee compensation or business income to a non-resident individual or disregarded entity that has a nonresident member and is reported on a 1099-MISC; and
- A lessee of Pennsylvania real estate who makes a lease payment in the course of a trade or business to a non-resident lessor.

For more details about the types of payments and individuals/entities impacted by this new requirement, please consult the [Pennsylvania Department of Revenue's information about non-resident withholding](#).

Procurement Services is notifying suppliers of this change. Effective immediately, non-Pennsylvania resident vendors (who are 1099-MISC reportable) will be required to certify the source of their income to Drexel. Income sourced in Pennsylvania by non-resident vendors will be subject to the 3.07% withholding. For non-resident suppliers that do not provide this information, the University will automatically withhold the required tax. Non-resident vendors with both Pennsylvania and non-Pennsylvania sourced income will be treated as having 100% Pennsylvania sourced income due to the limitations of our systems.

This January 1, 2018, requirement supersedes any prior agreements, including Independent Contractor Agreements, stating that Drexel shall not withhold or pay any state income tax on behalf of Service Provider or the employees of Service Provider.

Please share this notice with members of your team as appropriate, and direct any questions to acctpay@drexel.edu.