

# Facts to Help Taxpayers Understand Backup Withholding

Backup withholding is a federal tax on income that otherwise typically doesn't require tax withholding, such as 1099 and W2-G income. Taxpayers who receive this type of income may have [backup withholding](#) deducted from their payments.

**Here are some basic facts about backup withholding.**

**Backup withholding is required on certain nonpayroll amounts when certain conditions apply.**

The payer making such payments to the payee doesn't generally withhold taxes, and the payees report and pay taxes on this income when they file their federal tax returns. There are, however, situations when the payer is required to withhold a certain percentage of tax to make sure the IRS receives the tax due on this income.

**Backup withholding rate is a percentage of a payment.** The current percentage is 24%.

**Payments subject to backup withholding include:**

- Interest payments
- Dividends
- Payment card and third-party network transactions
- Patronage dividends, but only if at least half the payment is in money
- Rents, profits or other gains
- Commissions, fees or other payments for work done as an independent contractor
- Payments by brokers
- Barter exchanges
- Payments by fishing boat operators, but only the part that is paid in actual money and that represents a share of the proceeds of the catch
- Royalty payments
- Gambling winnings, if not subject to gambling withholding
- Taxable grants
- Agriculture payments

**Here are some examples when the payer must deduct backup withholding:**

- If a payee has not provided the payer a Taxpayer Identification Number (TIN).
  - A TIN specifically identifies the payee.
  - TINs include Social Security numbers, Employer Identification Numbers, Individual Taxpayer Identification Numbers and Adoption Taxpayer Identification Numbers.
- If the IRS notified the payer that the payee provided a TIN that does not match their name in IRS records, and the payer does not secure the correct TIN from the payee. Payees should make sure that the payer has their correct name and TIN to avoid backup withholding.

**More information:**

[Backup Withholding "B" Program](#)

[Publication 1281, Backup Withholding for Missing and Incorrect Name/TINs.](#)