

HUMAN RESOURCES MEMORANDUM 07-008	DATE ISSUED: 04/16/2007
SUBJECT: NEW IRS NON-RESIDENT ALIEN FEDERAL TAX WITHHOLDING PROCEDURES	REFERENCE: None
TO: Personnel Liaisons and Attendance Clerks	SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Introduction

The Internal Revenue Service (IRS) has implemented new rules to determine the federal tax withholding on wages paid to certain employees designated non-resident aliens (NRA).

Effective Date

The new rules will be implemented effective January 1, 2007 (December 2006 pay period payments).

Changes in Calculation Procedures

The IRS tax rules no longer require that NRA employees withhold an extra \$33.10 for federal tax withholding. Instead the new procedures require the employee's federal tax marital status must be designated as "single" and claim only one exemption. When payment is made to the employee, a specific dollar amount is to be added to a NRA employee's federal taxable gross wages only for the purpose of federal tax calculations. This dollar amount is determined by an employee's pay frequency and is not considered actual income.

The amount added to an employee's federal taxable gross wages are as follows:

- Monthly: \$221.00
- Semi-monthly: \$110.00
- Bi-weekly: \$102.00

Who is Affected

These new procedures apply to all NRA employees identified in the IRS Notice 2005-76. Please refer to the [IRS website](http://irs.gov) (<http://irs.gov>) to view the notice and obtain additional information.

Implementation of New Tax Regulations

To implement the new rules, employees subject to the IRS NRA regulations will have their federal tax withholdings recalculated using a "look-back" method. Specifically, payments for NRA employees will be issued using the standard tax tables. On approximately the 15th of the month the State Controller's Office (SCO) will select the payments of the NRA employees with issue dates from the 16th of the previous month through the 15th of the current month, and recalculate the federal tax amounts using the modified federal taxable gross. The federal tax amount withheld on the original payment will be subtracted from the new computed federal tax amount.

Notification of Separation of an NRA Employee

SCO must be notified by the 10th of the month to ensure the most accurate run of the federal tax re-calculation program on the 15th of the month.

Questions

If you have questions, contact your assigned Personnel Specialist or Personnel Supervisor.

/s/

MARIA J. LOPEZ, Manager
Personnel Operations Section

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