Date: January 29, 2010

To: Human Resources Directors
Payroll Managers

From: Evelyn Nazario
Assistant Vice Chancellor
Human Resources Management

Subject: Nonresident Alien Tax Withholding Changes Effective January 1, 2010

Overview

Audience: Human Resources Directors, Payroll Managers, and/or campus designee(s) responsible for payroll-related actions

Action Item: Information only

Affected Employee Groups/Units: Employees present under a nonresident alien tax status who have wages subject to federal income tax withholding

Summary

The Department of the Treasury Internal Revenue Service Publication 15 announced a new procedure that employers will use to determine the amount of income tax to withhold from the wages of nonresident alien employees performing services within the United States. Note that the State Controller’s Office (SCO) remains responsible for implementing tax withholding requirements for affected employee’s wages paid through the Uniform State Payroll System. This memo indicates the “Amount to Add to Nonresident Alien Employee’s Wages for Calculating Income Tax Withholding Only” table effective January 1, 2010.

Campus Human Resources Directors, Payroll Managers, and/or designee(s) responsible for payroll-related actions should review the remainder of this technical letter for further information.

As a result of the new procedure established by the Department of Treasury Internal Revenue Service (IRS), tax withholding procedures for determining the amount of income tax to withhold from the wages of Nonresident Alien employees (NRAs) has changed. As a result, a new tax withholding table was developed which indicates the amount to add to a NRA employee’s wages for calculating federal income tax withholding. The reduced table amounts per
payroll period are published in IRS Publication 15-T, (Circular E), Employer’s Tax Guide for use in 2010 and are described below. The updated table is effective January 1, 2010:

**Employer Calculation of Withholding on Wages of Nonresident Alien Employees**

Effective January 1, 2010, the amount that needs to be included in the NRA employee’s wages for purposes of calculating income tax withholding for each length of payroll period is as follows:

<table>
<thead>
<tr>
<th>PAYROLL PERIOD</th>
<th>ADD ADDITIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>$39.42</td>
</tr>
<tr>
<td>Biweekly</td>
<td>$78.85</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>$85.42</td>
</tr>
<tr>
<td>Monthly</td>
<td>$170.83</td>
</tr>
<tr>
<td>Quarterly</td>
<td>$512.50</td>
</tr>
<tr>
<td>Semi-annually</td>
<td>$1,025.00</td>
</tr>
<tr>
<td>Annually</td>
<td>$2,050.00</td>
</tr>
<tr>
<td>Daily or Miscellaneous (each day of the payroll period)</td>
<td>$7.88</td>
</tr>
</tbody>
</table>

The amounts depicted on the chart should **NOT**:

- Be included in any box on the employee’s W-2 Form
- Increase the income tax liability of the employee
- Increase the Social Security, Medicare, or Federal Unemployment Tax Act (FUTA) tax liability of the employer or the employee.


The State Controller’s Office (SCO) remains responsible for implementing tax withholding requirements for affected employee’s wages paid through the Uniform State Payroll System. Refer to Personnel Letter 10-003 on the SCO’s website for additional information.

Questions regarding this technical letter may be directed to Systemwide Human Resources at (562) 951-4411. This technical letter is also available on Human Resources Management’s Web page at: [http://www.calstate.edu/HRAdm/memos.shtml](http://www.calstate.edu/HRAdm/memos.shtml).

EN/vk