

**The California State University**  
**Office of the Chancellor**  
**401 Golden Shore**  
**Long Beach, CA 90802-4210**  
**(562) 951-4412**

**Date:** May 17, 2001

**Code:** HR 2001-15

**To:** CSU Presidents

**From:** Jackie R. McClain  
Vice Chancellor  
Human Resources

**Subject:** Non-Resident Alien Tax Compliance Requirements

A non-resident alien (NRA) tax compliance committee was formed in Fall 1999 with the support of the Chief Administrative and Business Officers (CABO) to address NRA reporting issues and to develop mechanisms to help CSU campuses resolve identified issues. Consultant firm KPMG was hired in Spring 2000 to develop campus procedural and informational manuals and provide training. Project reference materials were completed and training was provided to CSU campuses, foundations and auxiliaries in December 2000 and February 2001.

Regulations and reporting requirements applicable to individuals with a nonresident alien tax status are numerous and complex. While this communication focuses on individuals paid wages and other forms of compensation through the payroll system, other payment sources (e.g., for scholarships, fellowships, consultant payments, prizes, awards, speaker fees, royalties and commissions) are also affected. Campuses have the responsibility of ensuring that all requirements are met, regardless of the source of payment generated through the CSU or the State Controller's Office (SCO). Actions to attain tax compliance may vary from campus to campus.

Changes to the Personnel Information Management System (PIMS) employment history database are underway to help campuses identify nonresident alien employees whose income may be subject to exemption under terms of a tax treaty, and to monitor tax treaty thresholds where applicable. (Information specific to database modifications will be addressed in a forthcoming technical memorandum.)

(Over)

---

**Distribution:**

(All With Attachment)

Executive Vice Chancellor, CFO	Human Resource Directors
Vice Presidents, Academic Affairs	Payroll Managers
Vice Presidents, Administration	Employee Relations Designees
Vice Presidents, Student Affairs	Director, SOSS
Associate Vice Presidents/Deans of Faculty	Ralph Zentner, State Controller's Office

Members of my staff are working with the SCO to address other related payroll concerns, such as:

- (1) classifications currently precluded from withholding graduated rates of tax (see attachment). Campuses are advised to notify affected individuals of the requirement to file as "single" with a "zero" federal withholding rate until federal tax can be withheld in accordance with the prescribed graduated rates.
- (2) reporting requirement considerations affecting Form W-2 for individuals with a nonresident alien tax status whose wage payments are subject to tax treaty exemption. While the payment of wages subject to the graduated tax withholding are reported on Internal Revenue Service (IRS) "Wage and Tax Statement" Form W-2 (provided to the employee by the SCO), wage payments not subject to federal withholding by an income tax treaty, and all other payments, are reported on IRS "Foreign Person's U.S. Source Income Subject to Withholding" Form 1042-S (provided to the employee by the campus).

Inquiries affecting tax residency status should be directed to your campus counsel, campus tax consultant, or other appropriate personnel. Payroll administrative inquiries may be directed to Human Resources Administration at (562) 951-4412. This HR Letter is also available on the Human Resources Administration's web site at: <http://www.calstate.edu/tier3/HR-Adm/memos.html>. Thank you.

CR/dth  
Attachment

**Classifications Precluded from Graduated Withholding Rates**

1. Student Assistant Classes\* Appointed via A98 Transaction (Pay Type "L"):

- 0100 - Youth Summer Aid (E99)
- 1870 - Student Assistant (E99)
- 1871 - Student Trainee, On-campus Work Study (E99)
- 1872 - Student Trainee, Off-campus Work Study (E99)

2. Classes Appointed via Special Payment (A54) Transaction (Pay Type "Q"):

- 2322 - Instructional Faculty, Special Programs – For Credit (R03)
- 2323 - Instructional Faculty, Extension – For Credit (R03)
- 2356 - Substitute Instructional Faculty (R03)
- 2357 - Instructional Faculty, Summer Session (R03)
- 2363 - Instructional Faculty, Extension – Non-Credit (E99)
- 2365 - Music Studio Instructional Faculty (R03)
- 2402 - Instructional Faculty, Summer Arts Program
- 4660 - Special Consultant (E99)

3. Classes in Rostered Appointments (via A52 Transaction):

- 2158 - Lecturer, Summer Term
- 2160 - Instructional Faculty, Summer Term
- 2282 - Department Chair, Summer Term
- 2355 - Graduate Assistant (E99)
- 2367 - Instructional Faculty, Designated Discipline – Extra Qtr Assignment (R03)
- 2368 - Instructional Faculty, Extra Quarter Assignment, QSYRO (R03)
- 2394 - Instructional Faculty, Executive Committee, Academic Senate (R03)
- 2395 - Instructional Faculty, Chairman, Academic Senate (R03)