



Office of the State Comptroller

PAYROLL BULLETIN

Subject Non-Resident Alien Tax Processing	Bulletin No. P-914
	Date September 18, 1996

Beginning in 1996, the Office of the State Comptroller will accumulate all information necessary to prepare the Federal tax forms 1042 and 1042S for Non-Resident Aliens paid by NYS. In order for this Office to do this, a new Non-Resident Alien Tax File will be established. Agencies will key the necessary information through the Deduction On-Line System. The Non-Resident Alien Tax Deduction System is valid for the following agencies (excluding 28640 and 70130):

11260 - School for the Blind
11270 - School for the Deaf
12010 - Roswell Park
28xxx - State University of New York
70xxx - City University of New York

It will be the agencies' responsibility to report to the Office of the State Comptroller all required information. (There is an exception for SUNY Student Assistant payrolls which will be reported to OSC by SUNY Central Administration.) This Bulletin is an advance notice of this system so that you will be ready to enter the information when the system is completed.

Enclosed are the instructions to be used for keying Non-Resident Alien tax data into the Deduction Processing On-Line System. These are replacement pages for the Payroll Manual issued April 1996. For City University agencies, please use these pages as your instructions for keying. This Office will add the Alien Tax File information to your manual when it is updated.

The following reports will be produced (and distributed through ROPES). You must make corrections by taking the action specified below.

1. PAL-63, ALIEN TAX RECORD WITH NO MASTER

This report will list any employee who has been added to the Alien Tax File for whom a PR-75 was not processed appointing the employee. If you are not submitting a PR-75, please delete the Alien Tax Record from the file by entering a '3' in the Alien Tax Status field on Screen Selection 2 of the Deduction Processing On-Line System.

2. PAL-65, ALIEN TAX WITHHOLDING ALLOWANCE NEAR OR ABOVE LIMIT

When an employee's Total Gross Earnings are within \$800.00 or less of the Withholding Allowance (exclusion amount) entered on the Alien Tax File, they will appear on this listing. This means an employee may exceed the income exclusion amount. It is your responsibility to change the Alien Tax Status Code to '2' before the Total Gross is over the Withholding Allowance Amount. If the gross does exceed the Withholding Allowance, change the Alien Tax Status to '2' and notify the Deduction Section at (518) 473-1989.

3. PAL-66, MASTER FILE WITH ALIEN TAX FILE MISSING

This report will list any employee who has an Alien Tax Status entered on Screen Selection 2 of the Deduction Processing On-Line System, but does not have an Alien Tax File record. Enter the information on the Alien Tax File or cancel the Alien Tax Status, as appropriate.

4. PAL-67, ALIEN TAX ON-LINE AUDIT TRAIL LISTING

This report will identify, in Social Security Number order, every transaction submitted on-line, including the date, time and user ID number of entry. The PAL-67 will be produced weekly and will be transmitted to your agency printer on Monday. If your agency does not have a printer, the listing will be mailed.

For more information on the Federal Tax requirements used to report Alien Tax information, you should order Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Corporations; Publication 519, U.S. Tax Guide for Aliens and Publication 901, U.S. Tax Treaties from the Internal Revenue Service by calling 1-800-829-1040.

We will notify you when you may begin using the new system.

SECTION 2

from another State agency, you must always begin by entering screen Selection 1 for these employees.

Each screen selection will be split into two (2) separate segments, "CURRENT" which will show all current or transferring deductions for an employee and "INPUT", which will be blank and will be used to enter deduction transactions.

To make a change or correction to a transaction already input and accepted for the payroll period, access the appropriate screen and key over the data to be changed in the "INPUT" field and press the ENTER key.

If you are entering more than one transaction for an employee requiring multiple screen Selections, you may press one of the following PF keys to go to a required screen without returning to the Deduction Processing Menu.

PF16 NEW EMPLOYEE/ADDRESS
PF17 EMPLOYEE TAX
PF18 RETIREMENT AND SOCIAL SECURITY
PF19 MISCELLANEOUS DEDUCTIONS
PF20 DUES AND INSURANCE DEDUCTIONS
PF21 NYC RETIREMENT/SOCIAL SECURITY
PF22 NYC HEALTH INSURANCE
PF23 SUNY/EDUCATION/CUNY TDA/SRA
PF24 STATE HEALTH INSURANCE

If you press a PF key incorrectly, press the ENTER key. Transaction Accepted will appear. Then press the correct PF key.

To return to the Deduction Processing On-Line Menu press the PF13 key. Press the PF2 key to return to the Payroll Inquiry System Menu.

If you have employees with a Non-Resident Alien Tax File record, you may enter the agency code, pay period, social security number and press the PF1 key. This will take you into the Alien Tax File to make changes or to inquire. To return to the Deduction Processing Menu press the PF13 key.

Error Messages Contd.

<u>FIELD</u>	<u>MESSAGE</u>	<u>CONDITION</u>
Selection	INVALID	Selection entered is less than 1 or greater than 9.
Selection	INVALID ENTER SELECTION 1 FOR NEW EMPLOYEE	Selection 1 has not been submitted for a new or transfer employee and other than Selection 1 was entered.
Selection	CURRENTLY IN ERS	Selection 6 is entered for COURTS (05xxx) or HOUSING (01080) and the employee is a member of ERS.
Selection	CURRENTLY IN NYC RETIREMENT	Selection 3 is entered for COURTS (05xxx) or HOUSING (01080) and the employee is a member of NYE or NYT.
<u>Selection</u>	<u>ALIEN TAX FILE DOES NOT EXIST</u>	<u>The PF1 key has been pressed and there is no Alien Tax File record for the social security number entered.</u>

Employee Tax Screen (Selection 2)

This screen is used to add or change tax information, including Alien Tax status for those agencies with access.

If a new employee record is being submitted, the following fields are mandatory and must be completed.

1. Federal Marital Status
2. Federal Exemptions (Plus or No Tax)
3. State Marital Status
4. State Exemptions (Plus or No Tax)

INPUT INSTRUCTIONS

Federal Marital
Status

Enter M (married) or S (single) to indicate the rate at which the employee's federal withholding tax is to be calculated. If the employee indicates "Married, but withhold at the higher Single rate" enter 'S'.

State Marital
Status

Enter M (married) or S (single) to indicate the rate at which the employee's State withholding tax is to be calculated. If the employee indicates "Married, but withhold at higher Single rate" enter 'S'.

Federal, State and
NYC Residents
(No. Of Exemptions)

Complete one block for Federal exemptions, one block for State exemptions, and one if the employee is a resident of New York City.

To change marital status or number of exemptions, it is only necessary to complete the field to be changed.

- (1) If the employee claims zero (0) or more exemptions, enter the two digit number in the "Plus" fields. Do not enter a plus sign.
- (2) If the employee claims an Additional Tax Amount, enter the amount to be taken biweekly in the 'ADD TAX AMOUNT' field. To cancel, enter 0.00.
- (3) If the employee claims exempt, enter 99 in "No Tax" fields. To report tax exempt status for NYC enter 99. Also, if the employee is a full-time student, see Section 6, Page 113.

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Earned Income Credit

To initiate or change an EIC enter an "M" or "S" in the "EARN INCOME CR" field.

To cancel EIC enter a 'C' in the EARN INCOME CR field.

Other State Tax

To initiate or change Other State Tax, enter the appropriate code; 436 (D.C.) or 437 (Illinois), and the amount to be deduction biweekly.

To cancel, enter the appropriate code and 0.00.

Alien Tax Status
Occurrence 1 or 2

To initiate an Alien Tax Status, enter a '1' in the Alien Tax field. Do not enter a '1' in both occurrence 1 and 2.

To suspend updating the Alien Tax Field enter a '2' in the Alien Tax Status field. When you enter a suspension, you must also enter the correct tax information Single-01 for Federal "PLUS" Exemptions, and 8.00 in the Additional Field for Federal Tax.

To cancel, enter a '3' in the Alien Tax field.

Alien Tax Rate

If an employee with an Alien Tax Status of '1' should be paying graduated taxes, enter a decimal and the percentage rate the employee is required to pay. Also, enter '99' in the employee's Federal No Tax field. If a tax rate must be entered for occurrence 2 and occurrence 1 is already suspended or canceled, then use this field. Only one occurrence can be active at a time.

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ERROR MESSAGES CONTD.

<u>FIELD</u>	<u>MESSAGE</u>	<u>CONDITION</u>
		The percentage must be greater than 00.
Yonkers Non-Res Can	INVALID	Other than C entered.
Add Tax Amount (Federal, State, NYC & Yonkers Res)	INVALID	Field must be numeric. An amount was entered without number of exemptions.
Fix Tax	INVALID	Field must be numeric.
If both regular exemptions and fixed taxes are entered- WARNING 'FIXED TAX ACCEPTED'.		
Student Status	INVALID	Code other than S or C entered
Earn Incom Cr.	INVALID	Code other than M, S or C entered.
Other State Tax Code	INVALID	Code other than 436 or 437 submitted or code submitted without amount.
Other State Tax Amt.	INVALID	Field must be numeric. Amount submitted without a Tax Code (436 or 437).
<u>Alien Tax Status</u>	<u>INVALID</u>	<u>The agency code is other than 28xxx, 70xxx, 11260, 11270, or 12010 (excluding 28640 and 70130). Other than '1', '2' or '3' has been entered.</u>
<u>Alien Tax Rate</u>	<u>INVALID</u>	<u>The tax rate entered is non-numeric, a tax rate has been entered and the 'NO TAX' field is not '99'. An alien tax rate has been entered for an agency other than 11260, 11270, 12010, 28xxx or 70xxx (excluding 28640 and 70130). An alien tax rate has been entered and the Alien Tax Status field is blank.</u>

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ERROR MESSAGES CONTD.

<u>FIELD</u>	<u>MESSAGE</u>	<u>CONDITION</u>
<u>Federal/State Tax</u>	<u>TAX RATE INVALID</u>	<u>The Alien Tax Status is '2' and the Federal Plus is not 01 or greater and additional tax amount for Federal is not \$8.00.</u>

Under IRS regulations, if you pay U.S. income to an alien entity or individual, you must withhold, process payment, and report withholdings to the IRS. Specific information regarding alien withholding is outlined in IRS Publication 519 "U.S. Tax Guide for Aliens".

NYS payroll agencies are required to maintain the alien tax information. The file will be used to withhold appropriate federal taxes, and complete the federal 1042 and 1042-S forms for reporting purposes.

The NYS alien tax file contains several fields necessary for identifying and reporting compensation relating to provisions within tax treaties that either exempt withholding or require withholding at graduated levels. More detailed explanations of these exceptions are provided in IRS Publications 515 "Withholding of Tax on Nonresident Aliens and Foreign Corporations". U.S. Ratified income tax treaties are identified in IRS Publication 901 "U.S. Tax Treaties".

This screen will be used to start, change or cancel transactions for Non-Resident Aliens. This screen will be used by SUNY (28xxx), Education (11260 and 11270 only), Roswell Park (12010) and CUNY (70xxx) (excluding 286840 and 70130) agencies only.

To access this screen the operator must go to screen selection 2, Employee Tax and enter a '1' in the Alien Tax field and press the ENTER key. The Alien Tax screen will appear automatically. This screen may also be accessed by pressing the PF1 key from the main menu if an employee has an existing Alien Tax File Record.

The payroll agencies are required to maintain these records. This file will be used to take appropriate Federal taxes and to create the federal 1042 and 1042-S forms.

The required fields for the Alien Tax screen are as follows:

Income Code (16-20 only) - enter code 16 for Non-Employee Independent Services (payments to a non-employee for personal services performed by an independent non-resident alien contractor).
- enter code 17 for Dependent Services (payment to a dependent non-resident alien individual as an employee for personal services performed).
- enter code 18 for Teaching.
- enter code 19 for Studying and Training (GA's and TA's).
- enter code 20 for earnings as an Artist or Athlete (payments made for performance or athletes for services performed by an independent contractor).

Exempt Code - enter 2 if exempt under IRC Section.
- enter 4 if exempt under tax treaty.

Visa Type - enter the employee's two position visa code (i.e., J1, M1, H1).

Country Code - enter the two digit Country code.

ALIEN TAX CONTINUED

Recipient Code - enter 01 if individual
- enter 02 if Corporation
- enter 03 if Partnership
- enter 09 if artist or athlete
- enter 20 if type of recipient unknown.

Withholding Allowance - enter the amount of earnings exempt under the tax treaty. If a country has No Limit for Withholding Allowance, enter \$99,999.99.

Address - enter only the employee's address outside the U.S., if the employee has left the U.S..

Original Date of Entry - enter the two (2) digit month, two (2) digit day and four (4) digit year.

If an employee is employed in two or more state agencies, the employee will have an Alien Tax record in each agency.

Since a Non-Resident employee's tax code status can change during the calendar year, fields for two (2) occurrences are provided.

**INPUT
INSTRUCTIONS**

Alien Tax Status (1 & 2)	Enter the appropriate Status Code '1', if Active; '2', if at Withholding Allowance Maximum and '3', if Inactive.
Date of Entry	Enter the two digit month, two digit day and the four digit year.
Income Code (1 & 2)	Enter the appropriate Income Tax Code (16, 17, 18, 19, or 20). If an employee's Income Tax Code should change for any reason, use Occurrence 2 for the new information.
Withholding Allowance (1 & 2)	Enter the amount of Withholding Allowance Limit established for the employee's tax treaty. If there is no limit, enter \$99,999.99. An employee's non-taxable gross earnings cannot exceed this amount. If it does, enter a '2' and report as Federal S 01 with an additional \$8.00 tax on Screen Selection 2, of the Deduction Processing On-Line System.
Exempt Code (1 & 2)	Enter 2 or 4 if the employee's Tax Rate on Screen Selection 2 is .00.
Recipient Code (1 & 2)	Enter the appropriate code for the income code entered.
Visa Type	Enter the two digit visa type. Such a F1, J1, H1, M1 etc..
Address	If the employee is no longer in the U.S. you may use these address fields to report the address outside of the U.S.. These fields are bigger than the fields in the master.
Street	Enter the foreign country street up to thirty (30) positions.
City	Enter the foreign country city up to thirty (30) positions.
State	Enter the foreign country up to thirty (30) positions.
Zip	Enter the foreign country zip code up to eight (8) positions.
Name of Country	Enter the Name of the Foreign Country that the employee tax treaty covers.
Country Code	Enter the two digit alpha abbreviation of the Foreign Country tax treaty the employee is covered by.

Error Messages and Conditions

<u>FIELD</u>	<u>MESSAGE</u>	<u>CONDITION</u>
Income Tax Code	MISSING OR INVALID	The tax code is left blank, non-numeric, not equal to 16, 17, 18, 19 or 20, code already submitted or a new code is being keyed over an existing code.
Exempt Code	MISSING OR INVALID	The exempt code is left blank with a tax rate of .00, non-numeric or not equal to 2 or 4.
Recipient Code	MISSING OR INVALID	The recipient code is left blank, non-numeric or not two digits.
Withholding Allowance	MISSING OR INVALID	The withholding allowance amount is left blank, non-numeric, or income tax code other than 16, 17, 18, 19 or 20.
Visa Type	MISSING	The visa type is left blank.
Country Code	MISSING	The country code field is left blank or is numeric.
Country	MISSING	The name of country is left blank.
Address	MISSING	The address field is left blank with no address in the master file.