

To: All Nonresident Alien Employees

From: Payroll

Re: New Rules for Federal Withholding on Wages of Nonresident Alien Employees

On October 31, 2005 the IRS issued new rules for withholding on wages of nonresident alien employees. Whether you are a nonresident employee depends upon the results of the 183 day residency formulas as determined by the Substantial Presence Test using your immigration status/history and U.S. days.

The goal of the new rules is to provide withholding on wages that more closely approximates your income tax liability. The new rules accomplish this with new Form W-4 rules and special computations for withholding on wages.

New Form W-4 Rules

When completing Form W-4 under the new rules, you must:

- Not claim exemption from withholding
- Use single status even if married
- Claim only one exemption (with a few exceptions)
- Write “**NRA**” on the dotted line on Line 6

Additional personal allowances may be claimed by residents of Canada, Mexico, or South Korea. Students from India may claim an allowance for an accompanying spouse and dependent children who are U.S. citizens or residents (with SSN or ITIN numbers). Nationals of American Samoa and the Northern Mariana Islands may also claim allowances for dependents.

At your option, you may request an additional withholding amount.

Will my withholding be lower based on the new Form W-4?

Yes, because you do not have to include an additional withholding amount.

When should I request an additional withholding amount?

We cannot advise you about your tax withholding. However, the following may be helpful.

- If your total wages are less than the personal exemption amount (\$3,500 for 2008) you will have ZERO FEDERAL TAX WITHHOLDING under the new rules. Also, if your only US source income for the year is wages that are less than \$3,500, you will not have to submit a Form 1040NR-EZ.
- If your total wages exceed \$3,500, you may owe taxes with your tax return and be subject to underwithholding penalties and interest. The amount of underwithholding will depend upon when the new payroll calculations are implemented in this year and your salary for the year.

What if I do not submit a new Form W-4?

The default will be single, zero exemptions (maximum tax withholding) when no new Form W-4 is completed.