

University of Wisconsin System

UW Service Center HRS Webinar

Foreign Nationals – Back to the Basics

(updated 11/2015)

Topics Being Covered Today

- Definition of 'Foreign National'
- Definition of Nonresident Alien vs Resident Alien for Tax Purposes
 - Definition of the Substantial Presence Test
 - Exempt Days by Visa Type
 - Formula for Calculating the Substantial Presence Test
 - Passing the Substantial Presence Test
- Income codes for Treaty Benefits & Tax Reporting
- Tax Withholding for Foreign Nationals
 - FICA & Federal Income Tax
 - Tax Treaty Benefits
 - Tax Treaties Unique Clauses
 - Nonresident Alien Withholding Rule
 - 'Gross Up' on Wages
 - Withholding on Non-Service Scholarship/Fellowship Income

Topics Being Covered Today (continued)

- Tax Withholding for Foreign Nationals (cont'd)
 - Foreign Source Income
 - Foreign Nationals Living & Working Outside of the U.S.
 - Internal Revenue Code Exclusion
 - State Income Taxes
- Annual Tax Forms
- Data Passed Between Glacier & HRS
- Duties of a Glacier Responsible Administrator
- Summary of Glacier Reports
- Documents to Collect & Review
- Data Entry Needed in Glacier
- Data Entry Needed in HRS
- When Should a Foreign National Update Glacier?
- Reference Sites

Foreign National Definition

- For tax purposes, a foreign national is an individual who is not a citizen or national of the United States.
- This includes anyone who has successfully renounced his or her U.S. citizenship.
- Foreign nationals may also be referred to as aliens or nonimmigrants or immigrants.

Definition of Nonresident Alien versus Resident Alien for Tax Purposes

- A green card holder is a resident alien and is also known as Permanent Resident and/or an immigrant
- A resident alien has passed the Substantial Presence Test and is also known as a nonimmigrant
- A nonresident alien has not passed the Substantial Presence Test and is also known as a nonimmigrant

What is the Substantial Presence Test?

- IRS test to determine whether foreign national is considered a *Resident Alien* or *Nonresident Alien* for tax purposes.
- Substantial Presence Test (SPT) based on:
 - Purpose of the visit (visa status), AND
 - Number of days individual is present in US during 3-year period
 - If result=183, individual is Resident Alien for tax purposes
 - Does not include days “exempt” from counting
- *The SPT is based on formula considering 3 years of presence.*
- Results and residency Status can change from year to year or within a given year if individuals presence or immigration status changes.
- Glacier will perform the Substantial Presence Test calculation. However, the basis of the calculation is questioned frequently, so understanding the test is pertinent.

Exempt Days by Visa Type

- F-1 and J-1 Students
 - 5 calendar years (per lifetime) exempt from including in SPT. Subject to FICA for full year in which passing the test (unless eligible for student FICA exemption).
- J-1 Non-students
 - 2 calendar years (within the current and prior six years) exempt from including in SPT. Subject to FICA for full year in which passing the test.
- Most other visa types (H-1B, O, E-3, J-2, Asylee, Refugee, etc. *)
 - No days exempt from including in substantial presence test.
 - There are exceptions
 - Must pay FICA immediately even if Nonresident Alien.

(*Visa type descriptions are listed on:

http://travel.state.gov/visa/temp/types/types_1286.html)

Formula for Substantial Presence Test

(IRS Pub. 519)

To meet this test, the foreign national must be physically present in the United States for *at least*:

- A. 31 days during the current calendar year, AND
- B. 183 days during the 3-year period that includes the current calendar year and two prior years counting:
 - 1. All of the days present in the current calendar year, and
 - 2. 1/3 of the days present last year, and
 - 3. 1/6 of the days present in the year prior to last year)

(Notes: Exempt days are not included in the calculation. *If a year is exempt from counting F1 and/or J1 presence, the entire year of exemption is 'used' even if individual only present in US for 1 day.*)

Passing the Substantial Presence Test

- What happens when an individual becomes a Resident Alien by passing the Substantial Presence Test?
 - Eligible to be taxed like a U.S. citizen. They may want to file a new W-4, if they are no longer eligible for tax treaty benefits.*
 - Pay Social Security & Medicare tax, if they are not eligible for the student exemption.
 - If still eligible for tax treaty benefits, will need to complete a W-9 tax form, which Glacier will generate.
 - Completes the 1040 tax return – same as the U.S. citizen.

*If a resident alien is still eligible for tax treaty benefits, then HRS requires us to continue to treat the individual as a nonresident alien on the Federal Tax Data Page.

Substantial Presence Test Example #1

(Visa type F-1 & purpose is Student)

- Arrived in U.S. for first visit on August 10, 2010 & hasn't departed/changed status.
- Per slide 7, an F-1 Student is exempt from counting presence for 5 calendar years (*2010 thru 2014*). *If student remains in US for 183 days in 2015, they will pass the substantial presence test on 183rd day of presence.*
- FICA withholding would start on 1/1/2015, unless they meet the student exemption.

Substantial Presence Test Example #2

(Visa Type J-1 & Purpose Student)

- Arrived in U.S. on August 10, 2006
 - Year 6 - 2011 # of days counted = all days present. Passed SPT on 7/2/2011; however FICA would have started on 1/1/2011 unless the student was eligible for the student FICA exemption. 7/1/2011 was the 182nd day of the year; became resident alien for tax purposes on 7/2/2011
 - Year 5 - 2010 # of days counted = 0 (exempt)
 - Year 4 - 2009 # of days counted = 0 (exempt)
 - Year 3 - 2008 # of days counted = 0 (exempt)
 - Year 2 - 2007 # of days counted = 0 (exempt)
 - Year 1 - 2006 # of days counted = 0 (exempt)

Substantial Presence Test Example #3

(Visa Type H-1B)

- Arrived in U.S. on March 1, 2012
 - Year 1 – 2012 passed Substantial Presence Test on August 30, 2012 (183 days after arrival on 3/1/2012)
 - Eligible for FICA starting on March 1, 2012
 - No exempt days
 - Resident alien for 2012

SPT: J-1 Non-student

Arrived in U.S. 3/1/2005. Present in J1 non-student status since.

- Year 1 (2005): Present 365 days, 0 included in SPT=NRA (exempt yr)
- Year 2 (2006): Present 365 days, 0 included in SPT=NRA (exempt yr)
- Year 3 (2007): Present 365 days, all included in SPT = RA eff 183rd day. Subject to FICA from 1st day of calendar year
- Year 4 (2008): Present 365 days, all included in SPT = Resident alien
- Year 5 (2009): Present 365 days, all included in SPT = Resident alien
- Year 6 (2010): Present 365 days, all included in SPT = Resident alien
- Year 7 (2011): Present 365 days, all included in SPT = Resident alien
- Year 8 (2012): Present 365 days, 0 included in SPT=NRA (exempt yr) (2005 fell out of range so 2006 & 2012 are now the 2 exempt years)
- Year 9 (2013): Present 365 days, 0 included in SPT=NRA (exempt yr) (2006 fell out of range so 2012 & 2013 are now the 2 exempt years)
- Year 10 (2014): Present 365 days, all included in SPT = RA eff 183rd day. Subject to FICA from 1st day of calendar year.

Substantial Presence Test Example #4 (Charted Example)

F1 or J1 (N) STUDENT (and F2/J2s student spouses) don't have to count any days during 5 years of presence per lifetime											
J1 nonstudent and J2 nonstudent spouses get 2 exempt years (current plus past 6 years)											
exempt years	Counted days										
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Substantial Presence Test											
current calendar year				/1	=						
last calendar year				/3	=						
two years ago				/6	=						
						Total days present in calendar year					
Results of SPT:											
A person who has been in the USA 31 days or more in the current calendar year, AND 183 days or more in combined current and two prior calendar years m= Meets Substantial Presence Test, therefore a resident alien for tax purposes.											

Income Codes for Treaty Income

IRS Income Codes correspond to the type of income being reported to the IRS on Form 1042-S (vs Form W-2).

- Non-Service Scholarship/Fellowship Income – IC 16 (prev IC 15)*
HRS Job Codes X10NN, X20NN, X30NN, X75NN, Y21NN, Y22NN, Y23NN, Y26NN. Empl Class ET2, ET4, SA1
- Employee: Non-Student visa (teach/research) – IC 19 (prev IC 18)*
- Employee: Student visa (study/train) – IC 20 (prev IC 19)*

Note: Employee Income Codes 19 & 20 are set based on the visa type and purpose of visit and not on the job type. For example, an F-1 student on OPT who is working as a Lecturer, should have an income code of 19 (study/training) to reflect the purpose of their F-1 visa.

*IRS changed numbers of Income Codes for 2015 reporting year

Federal Tax WH for Foreign Nationals

- FICA (Social Security & Medicare) taxes are not covered by Tax Treaties
- Federal Income Taxes
 - Three ways Nonresident Aliens' income may be exempt from tax withholding
 - Tax Treaty
 - Foreign Source Income
 - Internal Revenue Code Exclusion

Federal Tax WH for FNLs (continued)

- Tax Treaty Benefits
 - Some treaties have time limits
 - Some have wage limits
 - Some have no limits
 - Some have unique clauses
 - Retro Loss Clause
 - Prospective Loss Clause
 - Once-In-A-Lifetime Clause
 - Iceland Treaty
 - Canadian Treaty
 - Canada & Mexico withholding allowances
 - South Korea withholding allowance
 - Spain Treaty
 - China Treaty

Tax Treaties Unique Clauses

Retro Loss Clause

- Do not let employee claim treaty if they will stay in the U.S. longer than time limit indicated in retro clause. Otherwise, individual will lose treaty retroactively and owe taxes from the first day of stay.
- Glacier will not allow treaty if individual lists 'final' departure date beyond allowed time. Should be date individual expects to leave and remain outside U.S. for one year or more.
- If employee's immigration status, expected U.S. departure, or immigration expiration date changes, they must update Glacier and treaty eligibility may be removed.
- Employee treaties with retroactive clauses: Germany (student visa=48 months), India (non-student visa=24 months), Luxembourg (non-student visa=24 months), Netherlands (non-student visa=24 months) and United Kingdom (non-student visa =24 months)

Tax Treaties Unique Clauses

- Prospective Loss Clause
- Update Glacier as soon as employee knows that they will stay in the U.S. beyond the treaty time limit. Glacier will stop treaty, based on the exit date listed in Glacier, if the individual is not eligible.
- Employee's 'Exit from U.S. Date' in Glacier should be the date they expect to leave and remain outside the U.S. for one year or more.
- Countries included for Non-student visa IC (teaching/research) are: Egypt, Hungary, Iceland, Israel, Jamaica, Republic of Korea, Norway, Philippines, Poland and Romania

Tax Treaties Unique Clauses

- Once-In-A-Lifetime - The tax treaty benefits are only available once in the foreign national's lifetime and only affect Non-student visa IC. Glacier will determine eligibility based on whether individual indicates they have previously claimed treaty.
- Countries include: Czech Republic, France, Indonesia, Jamaica, Republic of Korea, Portugal and Slovak Republic.

Tax Treaties Unique Clauses

- The Iceland treaty has been amended and contains a Grandfather clause that requires individuals from Iceland on a Non-student visa to have entered the USA prior to 12/31/08 to be entitled to the tax treaty benefits.
- If a tax resident of Iceland entered the USA on 1/1/09 or later, they are not entitled to any tax treaty benefits

Tax Treaties Unique Clauses

- Canadian treaty **not be allowed** through UW Payroll due retro clause that holds the employer liable for tax if the employee earns more than \$10,000 in a calendar year.

Tax Treaties Unique Clauses

- Nonresident aliens from Canada or Mexico may claim additional withholding allowances for dependents residing in Canada, Mexico or the U.S.
- Nonresident aliens from South Korea may claim additional withholding allowances for dependents residing in the U.S.

Tax Treaties Unique Clauses

- The Spain treaty allows \$5,000, less the federal personal allowance amount for individuals present on a Student visa. The federal personal allowance amount normally changes each year. In 2015, the federal personal allowance amount is \$4000, which leaves a treaty allowance maximum of \$1,000.
- The China treaty specifically excludes residents of Hong Kong. It does not include residents of Taiwan.

Federal Income Taxes

Nonresident Alien Withholding Rule

- HRS “NRA Withholding Rule”:
 - Students from India are eligible for the standard deduction on their annual tax return, so the NRA Withholding Rule is set to ‘Exempt.’
 - Students from Barbados, Jamaica and Hungary may choose to be treated as U.S. citizens from the day they enter the U.S.. If they make that decision, then the NRA Withholding Rule is set to ‘Not Applicable.’
 - All other nonresident aliens should be set to ‘Subject to Rule.’ This rule pertains to the ‘Gross Up.’

Federal Income Taxes

'Gross Up' of NRA EE Wages

- 'Gross Up' of wages for tax withholding only (IRS Publication 15)
 - Nonresident aliens earning Wages who are not eligible for tax treaty benefits or have exceeded the treaty limit
 - Nonresident aliens are not eligible for the standard deduction, which is built into the domestic graduated tax tables. Therefore, when the taxes are being calculated, there is an amount added to their taxable wages just to calculate an increased tax withholding, but it does not get added to the gross wages reported on their W-2. For 2012 the amount for biweekly was \$82.69 and monthly was \$179.17.
 - Resident aliens who are eligible may continue to claim treaty benefits on wages (e.g., Peoples Republic of China)

Federal Income Taxes

(Withholding on Fellowship/Scholarships)

- Non-Service Scholarship/Fellowship – IC 16 (prev 15)
 - Nonresident aliens (in F or J status) who are not eligible for tax treaty must have 14% tax withheld. This income and the amount of tax withheld is reported on Form 1042-S
 - Resident aliens' S/F income will not be taxed or reported to the IRS. The income will be reported to the individual through a scholarship/fellowship letter. The recipient must determine whether the income is reportable, and independently estimate/pay any tax due.
 - HRS does not allow for a personal allowance reduction prior to the tax calculation.

Federal Income Taxes

Foreign Source Income (wages)

- Foreign Source Income for nonresident aliens living and working outside the US
- Compensation is sourced at the location where the activity is performed:
 - If Location of Activity is in the U.S., the compensation is U.S. sourced income; reported/taxed in the U.S.
 - If Location of Activity is outside of the U.S., the compensation is foreign-sourced income; not reported/taxed in the U.S. (if FNL has provided required materials to their Glacier administrator).

Federal Income Taxes

Foreign Source Income: NRAs (continued)

- Non-Service Scholarship/Fellowship IC 16 (prev IC 15)
 - If Location of Activity is in the U.S. and Location of Payor is in the U.S., then the payments are taxed in the U.S.
 - If Location of Activity is in the U.S. and Location of Payor is outside of the U.S., then the payments are not taxed in the U.S.
 - If Location of Activity is outside of the U.S. and the Location of the Payor is either in the U.S. or outside the U.S., then the payments are not taxed in the U.S.

Nonresident Aliens Living & Working Outside of the U.S.

- Nonresident aliens living and working outside of the U.S. are not taxed (presuming all required forms/documentation has been received, the Service Center is notified, and HRS and Glacier have been setup accordingly.
 - No FICA
 - No Federal Income Tax
 - No State Income Tax
- This does not include foreign nationals that will become a resident alien or permanent resident during current tax year. They will be taxed on their world-wide income in the U.S.

Internal Revenue Code Exclusion for Fellow/Scholars

- IRC Section 117
- Only affects Non-service Scholarship/Fellowship IC 16 (prev IC15)
- Degree candidates' fellowship income is taxable, but may be reduced for educational expenses such as tuition, fees, books, supplies and equipment.
- Non-Degree Postdoctoral Fellowships are fully taxable
- See IRS Publication 970 for full details

State Income Taxes

- WI follows the IRS rules and allows tax treaty benefits
- WI does not require reporting/withholding on Non-Service Scholarship/Fellowship income. This doesn't mean that the amounts will not be reported on the individuals annual WI tax return.
- California (CA) does not allow tax treaty benefits, so we must withhold CA income taxes. Individual must be living and working in California in order to have CA withholding.

Annual Tax Forms

- W-2: Reports all wages with NO treaty WH exemption applied
- 1042-S:
 - Reports all wages WITH a treaty WH exemption applied
 - Reports all Non-Service scholarship/fellowship income paid to Nonresident Aliens (with or without treaty)
 - 1042-S Income codes (Effective 1/1/2015):
 - Non-Student visa (teach/research) = IC 19 (prev 18)
 - Student visa (study/train) = IC 20 (prev 19)
 - Non-Service Scholarship/Fellowship Income for NRAs = IC 16 (prev 15)
 - Other income paid through UW Accounts Payable (IC 12, 17, 54 etc.)

Data Passed Between Glacier & HRS

- New Foreign National Upload from HRS to Glacier
- Demographic Updates from Glacier to HRS
 - Person data: name, permanent address, Business Other email address, Individual Taxpayer Identification Number (ITIN), Social Security Number (SSN)
 - Job data: income code, pay group is reassigned
 - Visa/Passport data: country, visa type, date of first visit to last expiration date
 - Visits are not broken down by type on Glacier-generated visa row in HRS
- Substantial Presence Test Values from Glacier to HRS

Data Passed Between Glacier & HRS

(continued)

- Federal and State Tax Updates from Glacier to HRS
 - Special Withholding Tax Status (federal and state tax pages in HRS)
 - Tax Treaty/NR Data: date of entry into U.S., Country, Treaty ID, Treaty expiration date, treaty form information, IRS Form W-9 date when individual becomes a resident alien and is no longer eligible for treaty benefits, NRA Withholding Rule

Duties of a Glacier Responsible Administrator

- See KB 27630.
- Make sure there is a visa type in HRS for all new foreign nationals. If visa type is unknown, use dummy visa type of 'FNL' with purpose of 'other'. Make sure there's a valid email address in HRS, which will be used to add individuals to Glacier.
- If not, obtain email address, update HRS and Glacier, forward UWHR Administration email to employee, and resend individual Glacier access information to employee.
- Receive and review Glacier and immigration documents from individual.
- Record the receipt of treaty documents and set tax file status in Glacier.
- Enter updated visa information into HRS, if different than originally entered.

Duties of a Glacier Responsible Administrator (continued)

- Review and adjust tax treaty settings on HRS tax pages, as needed.
- Set WH allowances on tax page in HRS, using the Glacier W-4.
Note: NRAs must show 'single' or 'married but withhold at higher single rate' tax filing status and are limited in the # of allowances.
- If Glacier is updated between interface run and payroll confirm, may need to update HRS.
- Do not update HRS while interfaces are running.
- Run monthly reports and send out emails through Glacier.
- See the Glacier Process Deep Dive presented on March 12 & 13, 2012 for Glacier reports and email process at <https://uwservice.wisc.edu/administration/glacier.php>

Summary of Glacier Reports

- Report 1 – SSN/ITIN Status: run each month and send emails to employees who need to apply or enter their TIN in Glacier.
- Report 2 – Individual Record Status: run prior to each payroll confirm. If set at Inactive, Terminate or Delete, but individual is NRA/RA still on payroll, needs review and possible adjustment to Glacier and HRS. Review the ‘Transaction History’ in Glacier.
- Report 3 – Tax Treaty Time Limit: run monthly and send emails to individuals to let them know that they are near the end of their treaty time limit and that taxes will be taken from future checks.
- Report 4 – Tax Treaty Dollar Limit: do not run at this time, since we are not currently loading dollar amounts back out to Glacier

Summary of Glacier Reports (continued)

- Report 5 – Residency Status Change: run monthly and let individuals know if they're becoming a resident alien in near future.
- Report 6 – FICA Start Date: run monthly and let individuals know when FICA will start coming out of their paychecks.
- Report 7 – Immigration Status Expiration: run monthly and remind individuals to update expiration date in Glacier.
- Report 8 – Tax File Status: run monthly and email re:
 - 'Waiting for Forms' - needs to deliver materials to Resp Admin.
 - 'Recalculate' - needs to complete Glacier through final screen, save entry, then deliver new Glacier reports, forms, and supporting documents.
 - 'Incomplete' - Individual needs to complete their Glacier entry then deliver Glacier reports, forms and supporting documents.

Documents to Collect & Review

- Forms and documents needed:
 - Glacier Tax Summary Report. IDs needed items including:
 - I-94/I-94W Documents
 - Form I-20 (F-1)
 - Form DS-2019 (J-1)
 - Form I-797 (H-1B)
 - Form W-4
 - Visa Sticker/Stamp in Passport
 - Form 8233 and Treaty Attachment
 - Form W-9/Statement
 - Form W-8BEN
 - Employment Authorization Document (EAD) if applicable. Will not be listed on the Tax Summary Report. Request it when someone is on F1 Optional Practical Training (OPT) or whenever an individual does not hold an immigration status that allows them to work.

Documents to Collect & Review

(Listed on bottom third of Tax Summary Report)



Tax Summary Report

Summary of Information Entered Into GLACIER™:

FICA Tax Status: **Exempt**

FICA Tax Start/Change Date: **January 01, 2015**

Required Forms and Document Copies Attach the following Forms and Documents to the Tax Summary Report

Please print, sign and submit with Tax Summary Report

Required Forms:

Form W-4

Form 8233

Treaty Attachment

Please copy and submit with Tax Summary Report

Required Document Copies:

Form I-20

Form I-94/I-94W Card

Visa Sticker/Stamp (in Passport)

Documents to Collect & Review

(continued)

- All forms must be dated and signed. Treaty forms must have original signatures on each line/page/attachment, as required.
- Individual must enter all their UW payment relationships and income types in Glacier
- Individual's name on immigration documents match name on the Glacier Tax Summary Report (which must match SSA record)

Documents to Collect & Review

(continued)

- SSN/ITIN appear authentic.
 - SSN's do not start with a 9.
 - ITIN's begin with a 9 and the 4th digit is 7, 8 or 9.
 - Cannot use campus ID#.
 - If employee is earning Wages, must apply for an SSN and enter into Glacier before receiving tax treaty.
- Country of citizenship listed on the Glacier Tax Summary Report should be consistent with the immigration documents submitted.

Documents to Collect & Review (continued)

- Immigration status listed on the Glacier Tax Summary Report should be consistent with their immigration documents (e.g., I-94, I-20, DS-2019, I-797).
 - F-1 visa status must have an I-20
 - J-1 visa status must have a DS-2019
 - H-1B visa status must have an I-797
- Immigration document must list sponsorship by the applicable UW school, except for students on Optional Practical Training (OPT) or Curricular Practical Training (CPT), which is listed on the back of the I-20. If you have any other case where the document does not list the UW, then make sure the individual has another updated document and if not contact the Service Center to see if there other exceptions.
- Watch for job titles that pertain to IC 16 scholarship/fellowship relationship. This is the only income code that you need to watch the job titles. (**Note:** The HRS job codes are listed on slide 15).

Documents to Collect & Review

(continued)

- An EAD card is required if the individual is on OPT.
- Date of entry to U.S. should match the date stamped on the I-94 unless the individual left the U.S. and reentered. Request clarification and copy of previous documents if they still have them.
- Immigration status expiration listed on the Glacier Tax Summary Report should match the date shown on the I-20, DS-2019 or I-797. If on OPT, the expiration date in Glacier should be the end date on the EAD card.

Documents to Collect & Review

(continued)

- If the Glacier Tax Summary Report shows 'EX' (eligible for tax treaty exemption);
 - Treaty forms and attachments should be included.
 - Data should be consistent with immigration documents.
 - Check passport number and country of citizenship.
 - Forms should be preprinted through Glacier and if not, then more review is needed.
- If tax treaty is for a Canadian citizen, then mark as void and do not manually enter treaty settings in HRS or mark the forms as received in Glacier, per previous note on slide 22.
- The UW Service Center has developed a template to assist in the review process and it is available at:
<https://uwservice.wisc.edu/docs/publications/glacier-checklist-review-ind-records.pdf>

Data Entry Needed in Glacier

- Receipt of tax treaty forms
- Is the record complete?
 - What Would You Like To Do Today? Review/Update Individual/Entity Record(s) > Search by your choice; last name, SSN, Email Address or Emplid > Select 'Review' box in Record Status column
 - Only update the fields that apply
 - Notes should be entered, if there is something important that needs to be noted.
 - The 'Update Tax File Status to:' field should only be changed to 'Complete' when all necessary documents and forms have been received and reviewed.

Data Entry Needed in Glacier (Glacier Entry)

GLACIER Nonresident Alien Tax Compliance

ARCTIC INTERNATIONAL, LLC
International Tax Consulting

Review/Update Status of Individual Record

Please select the appropriate status:

Name (Last, First MI): Holm, Deb
SSN or ITIN: 193401382

Recipient Type: Individual

Individual Record Status: Active (A)

Responsible Administrator: Deb Holm (dholm@dohr.wisc.edu)

Notes Regarding Record (e.g., reason for Override): Add notes here

HOLD Treaty Status:

HOLD 1	Normal (N)
HOLD 2	Normal (N)
HOLD 3	Normal (N)
HOLD 4	Normal (N)

Processing Status: Normal (N)

Tax File Status: Waiting for Initial Forms/Documents (W)

Update Tax File Status to:

Tax Treaty Exemption Forms

Form 8233 Received, if applicable:

- 2007
- 2008
- 2009
- 2010
- 2011
- 2012

Form W-8BEN Received, if applicable:

- 2006/2006/2007
- 2006/2007/2008
- 2007/2008/2009
- 2008/2009/2010
- 2009/2010/2011
- 2010/2011/2012
- 2011/2012/2013
- 2012/2013/2014

Form W-9 Received, if applicable:

-

Admin Activities Menu | **Another Search** | **Submit**

Annotations:

- May need to change the status (points to Individual Record Status)
- Change Responsible Administrators here (points to Responsible Administrator)
- Add notes here (points to Notes Regarding Record)
- If the UWSC approves the override of a hold, it is done here (points to HOLD Treaty Status)
- Change record to Complete (points to Update Tax File Status to)
- Check this box if an 8233 form is received for 2012 for IC 18 or 19 (points to Form 8233 Received)
- Check this box if a W-8BEN form is received for 2012 thru 2014 for IC 15 treaty benefits (points to Form W-8BEN Received)
- Check this box if a W-9 is received for treaty benefits (points to Form W-9 Received)

Data Entry Needed in Glacier (continued)

- Is there a treaty hold on the Glacier record?
 - HOLD 1 – The individual does not have an SSN or ITIN
 - HOLD 2 – Different tax residence, permanent residence or citizenship country
 - HOLD 3 - Immigration status changed (individual must be absent from U.S. for at least a one year period between immigration status types)
 - HOLD 4 –Immigration sponsor not your institution (do not override if the individual claimed limited \$ treaty through other employer in current tax year)
- Treaty forms will not be issued through Glacier if there is a Hold on an individual's record.
- Check with the Service Center prior to overriding holds.
- If an individual has a change in status, they are not allowed tax treaty benefits
- If tax treaty benefits were granted at another institution, do not grant them at the UW in the current calendar year.

Data Entry Needed in HRS


- HRS entry depends on when you complete or change a record.
 - Until further notice, even if the Glacier changes are made prior to the interface, you should still update the passport, visa, federal and state tax pages in HRS.
 - If Glacier updates are made after the files have been created for the interfaces and the individual will be paid on that pay period, also review the substantial presence test and income code settings and contact the Service Center to request an update, if necessary.
- The Glacier files are created on the last business day prior to pay sheet creation (typically 6:00 am on Fridays before payroll processing week)

Data Entry Needed in HRS (continued)

- Personal Information (Workforce Administration > Modify a Person)
 - Email address (Glacier value will populate in ‘business other’ field)
- Visa Data (Workforce Administration > Citizenship > Identification Data)
 - Citizenship/Passport Country, Passport Number
 - Visa Type
 - Effective Date – Date you are updating (not start of the status)
 - Purpose – If J-1, match wording in Section 4 of the DS-2019
 - Status is ‘Granted’
 - Status Date – List the begin date of the particular status
 - Issue Date – Leave blank
 - Date of Entry into Country – List last entry following absence \geq 1 year
 - Expiration Date on immigration doc. (I-20, DS-2019, I-797, I-94, EAD)
 - Issuing Authority – Interface populates “Temporary Value” or “Glacier Demographics Interface.” If you’re adding visa information based on Glacier, replace ‘Temporary Value’ with ‘Replicating Glacier’. If you’re entering data for a Permanent Residence status, enter ‘PR card Rec’d’ with your initials and date you received the PR card.

Data Entry Needed in HRS (continued)

- Fed and State Tax settings for NRA/resident alien with treaty (Payroll for North America > Employee Pay Data USA > Tax Information > Update Employee Tax Data)
 - Federal Special Withholding Tax Status select ‘Non-Resident Alien; Tax Treaty/NR Data’
 - Federal Withholding Status, select Single and 1 WH Allowance*
 - Federal Tax Treaty/NR Data, enter Country, Treaty ID, Treaty Expiration Date (Residency Status Change Date from the Tax Summary Report or the end of the tax treaty benefits, whichever is later.)

Tax Determinations and Results Based on the data entered, GLACIER has made the following determinations:	
Tax Residency Status:	Nonresident Alien for U.S. Tax Purposes
Residency Status Change Date:	May 15, 2013 to Resident Alien  HRS Treaty Expiration Date
Residency Status Start Date:	January 01, 2013 to Resident Alien
Residency Status Change Date 2 (if applicable):	
Residency Status Start Date 2 (if applicable):	
Compensation/Wages/Salary	

*Individuals from some countries allowed more. See the completed and signed W-4 from Glacier (e.g., Canada, Mexico, South Korea). If you do not have a valid signed W-4, you must enter zero allowances.

Data Entry Needed in HRS (continued)

- Federal Tax Data page (continued)
 - Form 8233 row: enter ‘yes’ only if treaty-eligible and forms rec’d
 - 8233 Exp Date:
 - NRA-list end of last PPD in current CY or treaty end date, if earlier.
 - RA - list treaty end date or 12/31/2099 if no treaty time limit
 - NRA & RA in same tax year and both Form 8233 and Form W9 rec’d. List treaty end date or 12/31/2099 if no treaty time limit
 - W-8BEN row (scholar/fellow): enter ‘yes’ only if treaty-eligible and W-8BEN received*. The expiration date will be 12/31/XXXX (two years beyond current calendar year. If received in 2015, exp =12/31/2017.
 - W9 row in HRS should not be set to ‘yes’ unless foreign national is a resident alien and is no longer eligible for tax treaty benefits.
 - NRA WH Rule - only changed if NRA is a student from India, Barbados, Jamaica, Hungary. See slide 25 for details.

*Do not check treaty forms into Glacier or enter treaty settings in HRS unless appropriate TIN listed in Glacier account. Employees must have an SSN. Non-service scholar/fellow must have SSN or ITIN. Exception: If scholar/fellow income ONLY and W-8BEN accompanied by Form W7 signed by Jose Carus (UW Business Services office) indicating his receipt of the ITIN application.

Data Entry Needed in HRS

(continued)

- Substantial Presence Test and Income Codes can only be set at the Service Center.
- Contact the Service Center after pay sheets have been created if the income code or substantial presence test results are not correct.
- Note that the Glacier to HRS Demographics Interface will enter 365 days in the CY SPT if someone's Glacier account is in W, R or I status when the interface runs.

When Should a Foreign National Update Glacier?

- See KB 27630
- Address changes, including when they leave the U.S.
- New SSN or ITIN numbers or change from ITIN to SSN
- Visa Status Changes
- Annual Treaty Benefit Renewal Process
- Number of days out of the U.S. every time leave or return
- Extended immigration documents
- Expected stay in U.S. changes (The Estimated Date of Departure should be the date they expect to leave and remain outside of the U.S for 1 year or longer)

Reference Sites

- FICA – IRC Section 3121
<http://www.law.cornell.edu/uscode/text/26/3121>
- IRS Pub. 515 Withholding Tax on Nonresident Aliens and Foreign Entities <http://www.irs.gov/pub/irs-pdf/p515.pdf>
- IRS Pub. 519 U.S. Tax Guide for Aliens
<http://www.irs.gov/pub/irs-pdf/p519.pdf>
- IRS Pub. 901 U. S. Tax Treaties
<http://www.irs.gov/pub/irs-pdf/p901.pdf>
- IRS Pub. 15 (Circular E) Employer's Tax Guide
<http://www.irs.gov/pub/irs-pdf/p15.pdf>

Reference Sites

(continued)

- U.S. Citizenship & Immigration Services
<http://www.uscis.gov/portal/site/uscis>
- U.S. Department of State - Visa Types
- <http://travel.state.gov/content/visas/en/general/frequently-asked-questions/about-visas-the-basics.html>
- UW Service Center Resources RE: Glacier Online Tax Compliance System
<https://uwservice.wisc.edu/administration/glacier.php>