

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: July 19, 2021

PERSONNEL LETTER #21-014
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Jil Barraza, Chief
Personnel and Payroll Services Division**RE: VERIFICATION OF EMPLOYEES IDENTIFIED AS NONRESIDENT ALIENS**

The State Controller's Office (SCO) maintains a database of all Nonresident Alien (NRA) employees. As of July 1, 2021, all employees identified as NRA, per federal tax withholding rules determined by the Internal Revenue Service (IRS), are on the NRA report, including those who are active, on leave or separated. The report is sorted by agency code and then by social security number. The report also includes tax exemptions for 2020, prior years, and an 'X' if the person has separated. For more information on this process, please see Payroll Letter #06-030.

VIEWING THE NONRESIDENT ALIEN REPORT:

This report is now available on ViewDirect and will remain on ViewDirect until September 30, 2021. You can access the report under ID PDW7170, report name "Employees Identified as Nonresident Aliens."

Only personnel authorized to access ViewDirect can view and print the report. For more information on accessing and printing ViewDirect reports, please refer to the ViewDirect User Guide on the SCO website at https://www.sco.ca.gov/Files-PPSD/viewdirect_user_manual.pdf (*SCO will not provide a hard copy version of the report*).

If your agency does not have the "Employees Identified as Nonresident Aliens" report (PDW7170) in the ViewDirect report directory, then there are no individuals employed at your agency on the NRA database.

VERIFYING THE REPORT:

Please review each record on the report and verify the employee is still an NRA per the rules indicated in the IRS Notice 2005-76 located at <http://www.irs.gov/pub/irs-drop/n-05-76.pdf>. Use the attached form to indicate any employee changes and complete the department name, contact person, contact number/email and authorizing signature.

If an employee separated or changed status and is no longer an NRA subject to the federal tax withholding rules, complete his/her name, social security number and enter 'delete' in the type of change field. If there are any NRA employees missing from the report, add the employee's name, social security number and enter 'add' in the type of change field. If there are no changes, please mark the box 'No Changes' at the bottom of the form. If you do not have any NRA employee, mark the box 'No Nonresident Alien Employees' at the bottom of the form.

Return the completed form through secure email to PPSDTempOps@sco.ca.gov. Please indicate in the subject line Attn: STSP, NRA.

All responses are due by **August 16, 2021** to update our NRA database and to comply with the IRS.

EMPLOYEE ACTION REQUEST (EAR), FORM STD. 686:

Departments should verify that the employees on the report are claiming the appropriate federal marital status. Per IRS Notice 2005-76, the listed NRA employees must claim a federal marital status of “S” for single, regardless of their actual marital status. Effective for wages paid beginning January 1, 2021, NRA employees cannot claim “1” as a federal tax exemption but can continue to claim “1” as a state exemption. The IRS eliminated the federal personal and dependent exemptions because of the 2017 Federal Tax Cuts and Jobs Act (TCJA). The State of California does not conform to the elimination of federal tax exemptions. NRA employees must indicate Y or N for the Higher Withholding (E04) field. NRA employees are not required to complete Claimed Dependents (E05) with exceptions made for residents of Canada, Mexico, South Korea or a student from India, or a business apprentice from India. The completion of the new fields Other Income (E06) and Deductions (E07) are optional (see [Notice 1392](#), Supplemental Form W-4 Instructions for Non-Resident Aliens). An NRA employee cannot claim exempt from federal taxes unless they are covered under a tax treaty.

Verify that employees complete their EAR correctly. Do not accept documents that request a federal marital status or state tax exemption other than allowed by the IRS. For employees on the report with incorrect federal marital status/state tax exemptions, have the employees complete and submit a new EAR with the appropriate information. Nonresident aliens who fail to file, or file an invalid form, as required by IRS regulations shall have federal income taxes withheld at the rates pertaining to single status with no other adjustments for the federal and zero exemptions for the state.

If you have questions, please contact the Statewide Tax Support Program at PPSDSTSP@sco.ca.gov.

For additional questions regarding this letter, please use the following contact information:

Contacts:

- [Statewide Customer Contact Center](#) (916) 372-7200
- HR Suggestions Email (All HR Staff) PPSDHRSuggestions@sco.ca.gov
- CS Escalation Email (HR Supervisors and Managers) PPSDOps@sco.ca.gov
- CSU Inquiry PPSDCSUInquiry@sco.ca.gov
- Cal Employee Connect Email connecthelp@sco.ca.gov
- Cal Employee Connect Feedback Email connectfeedback@sco.ca.gov

SCO Key Initiatives:

- [Cal Employee Connect Project](#)
- [California State Payroll System Project](#)

JEB:AR:EO:STSP

Attachment

Listing of Nonresident Aliens Subject to IRS Notice 2005-76

Department: _____

Contact Person: _____

Contact Number/Email: _____

Authorizing Signature*: _____

*Must be a person authorized to sign Employment History documents.

Social Security Number	Employee Name	Type of Change (Add or Delete)	Non-Citizen (Code B) Nonresident

Note: Complete all columns that apply to the employee.

No Changes

No Nonresident Alien Employees

Forms are due by August 16, 2021.

To: Return via a secure email to:
State Controller's Office
PPSDTempOps@sco.ca.gov.
Please indicate in the subject line
Attn: STSP, NRA

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: December 21, 2006

PAYROLL LETTER #06-030
Civil Service Only

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief
Personnel/Payroll Services Division

RE: **NEW IRS NON-RESIDENT ALIEN FEDERAL TAX WITHHOLDING PROCEDURES**

The Internal Revenue Service (IRS) has implemented new rules to determine the federal tax withholding on wages paid to certain employees designated non-resident aliens (NRA). The new rules will be implemented effective January 1, 2007 (December 2006 pay period payments).

NEW IRS NRA EMPLOYEE TAX CALCULATION PROCEDURES

The IRS tax rules no longer require that NRA employees withhold an extra \$33.10 for federal tax withholding. Instead, the new procedures require that the employee's federal tax marital status be designated as "single" and that only one exemption be claimed. When payment is made to the employee, a specific dollar amount is to be added to a NRA employee's federal taxable gross wages only for the purpose of federal tax calculations. This dollar amount is determined by an employee's pay frequency and is not considered actual income. The amount added to an employee's federal taxable gross wages are as follows:

Monthly	\$221.00
Semimonthly	\$110.00
Biweekly	\$102.00

These new procedures apply to all NRA employees identified in the IRS Notice 2005-76. Please refer to the IRS website at <http://www.irs.gov/pub/irs-drop/n-05-76.pdf> to view the notice and obtain additional information.

NRA TAX CALCULATION

To implement the new rules, employees subject to the IRS NRA regulations will have their federal tax withholdings recalculated using a "look-back" method. Specifically, payments for NRA employees will be issued using the standard tax tables. On approximately the 15th day of the month the State Controller's Office (SCO) will select the payments of the NRA employees with issue dates from the 16th of the previous month through the 15th of the current month, except the January 15, 2007 run will select payments with an issue date of January 1, 2007 through January 15, 2007 and recalculate the federal tax amounts using the new modified federal taxable gross. The federal tax amount withheld on the original payment will be subtracted from the new computed federal tax amount. The difference will be applied to the employee's next regular payment via a one-time code 099 deduction.

EMPLOYMENT HISTORY SYSTEM CHANGE

In order to identify NRA employees that are subject to the new IRS rules, SCO will modify the Employment History (EH) System to establish a new data field. However, the system modifications will not be completed until next year. In the meantime, departments will need to identify the employees subject to the new IRS NRA rules via manual process to the SCO.

INTERIM PROCEDURES

The departments will need to verify that the EAR is showing the correct federal tax status and exemptions and submit a listing of NRA employees subject to the new IRS rules to SCO. The listing will need to include the SSN and name of the employee and the name of the employing department, a contact number/e-mail address and be signed by a person authorized to sign EH documents. The attached form may be used for this purpose. If your department does not have any NRA employees subject to the IRS rules, please submit the attached form with the no NRA employees box checked. Send the initial completed forms by January 5, 2007 to:

State Controller's Office
Personnel/Payroll Service Division
Program Management and Analysis Bureau
P.O. Box 942850
Sacramento, CA 94250-5878
Attn: Jeanna Bowe

Or fax to (916) 322-8137

If an NRA employee separates or is appointed to your department after the initial listing is submitted, please notify SCO of the changes by contacting Jeanna Bowe at (916) 322-3899. The SCO must be notified by the 10th of the month to ensure the most accurate run of the federal tax re-calculation program on the 15th of the month.

When the new EH NRA data field is established, a Personnel Letter will be issued with further details.

If you have any questions, please contact Jeanna Bowe at (916) 322-3899 or jbowe@sco.ca.gov.

DS:JB:PMAB

Attachment