

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

DATE: January 20, 2026

PERSONNEL LETTER #26-001

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Lisa Dean, Chief
Personnel and Payroll Services Division**RE: VERIFICATION OF EMPLOYEES IDENTIFIED AS NONRESIDENT ALIENS****OVERVIEW:**

The Internal Revenue Service (IRS) has rules to determine the federal tax withholding on wages paid to employees designated as a nonresident alien (NRA). Employees subject to the IRS NRA regulation 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. 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 federal (code 099) deduction. For additional information, please refer to the [Nonresident Alien Federal Tax Withholding Procedures FAQ's](#).

The State Controller's Office (SCO) maintains a database of all NRA employees. As of January 5, 2026, all employees identified as NRA, per federal tax withholding rules determined by the 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 and an 'X' if the person has separated. All agencies and campuses are required to comply, even if no NRAs are currently employed.

VIEWING THE NONRESIDENT REPORT:

This report is now available on ViewDirect and Mobius View and will remain available until June 30, 2026. You can access the report under ID PDW7170, report name "Employees Identified as Nonresident."

Only personnel authorized to access ViewDirect can view and print the report. For more information on the accessing and printing the reports, please refer to [ViewDirect and Mobius view](#) on the SCO website. SCO will not provide a hard copy of the report.

If your agency does not have "Employees Identified as Nonresident" (PDW7170) in the report directory, then there are not any nonresident individuals employed at your agency, or there was no reporting to SCO to add to the database.

VERIFYING THE REPORT:

Please review each record on the report and verify that the employee is still a nonresident, per the rules indicated in the [IRS Notice 2005-76](#). Please use the [Listing of Nonresidents Subject to IRS](#)

[Notice 2005-76 \(ca.gov\)](#) to report NRA Adds. When filling out the form please include the department name, agency number, contact person, contact number/email and authorizing signature.

If an employee has separated or changed status and is no longer a nonresident employee subject to the federal tax withholding rules, complete his or her name, social security number and enter 'DELETE' in the type of change filed. If there are any nonresident 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 add an employee to the list, be sure to inform the employee of the additional federal taxes to be withheld. If your department does not hire NRA employees, mark the box 'I certify that the department listed above does not hire NRA employees (Annual Certification)' at the bottom of the form. The annual certification can be submitted once for the whole year.

Return the completed form through the ConnectHR upload feature. In the drop-down menu, select 'Tax Support Unit – Nonresident Alien (NRA) Add or Delete.' All responses are due by March 13, 2026, to update our nonresident database and comply with the IRS.

EMPLOYEE ACTION REQUEST (EAR), FORM STD. 686 OR STUDENT PAYROLL ACTION REQUEST (SPAR), FORM STD. 457:

Departments and campuses should verify that the employees in the report are claiming the appropriate federal marital status. Per [IRS Notice 2005-76](#), listed nonresident employees must claim a federal marital status of "S" for single, regardless of their actual marital status. The IRS eliminated federal personal and dependent exemptions because of the 2017 Federal Tax Cuts and Jobs Act. The State of California does not conform to the elimination of federal tax exemptions. Nonresident employees must indicate Y or N for the Higher Withholding (E04) field. Nonresident employees are not required to complete Claim Dependents (E05), with the exceptions made for residents of Canada, Mexico, South Korea, and a student from India, or a business apprentice from India. The completion of the new fields Other Income (E06) and Deductions (E07) is optional (see [Notice 1392](#), Supplemental Form W-4 Instructions for Nonresident Aliens). A nonresident employee cannot claim exemption from federal taxes unless covered under a tax treaty.

Please verify that employees completed their EAR [Form STD. 686](#), or Student Payroll Action Request, [Form STD. 457](#), correctly. Do not accept documents that request a federal marital status or state tax exemption other than those allowed by the IRS. For employees on the report with the incorrect federal marital status or state tax exemptions, have the employees complete and submit a Form STD. 686 or Form STD. 457 with the appropriate information. Nonresident employees who fail to file or file an invalid Form STD. 686 or STD. 457, as required by the IRS regulations, shall have federal income taxes withheld at the rates pertaining to single status with no other adjustment 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:

PPSD and CSU Contact Information:

- [PPSD Contacts and Additional Information](#)
- [Campus Information Retrieval System \(CIRS\) | Contact Email](#)

Web Resources:

- [For HR Personnel](#)
- [For State Employees](#)

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