

2018 NRA Tax Calculations Outside of a Treaty

General Background

Based on current IRS regulations, employees who do not receive payments defined specifically by IRS Income Codes (17, 1819), will have their Federal taxes calculated by the steps put forward in the "2018 Publication 15 -Employers Tax Guide (Circular E)". These payments could include:

- NRA Employees ineligible for a treaty
- NRA Employees who exceeded treaty-protected earnings
- NRA Employees receiving wages that are not eligible for Income Codes recognized by the treaty

2018 Employers Tax Guide (Circular E)

This section contains details pulled from the "2018 Publication 15 -Employers Tax Guide (Circular E)" describing the method for calculating Federal tax withholding for NRA who receive regular wages. (Wages not designated as Income Codes per IRS regulations)

Based on the Circular E, a withholding adjustment is applied for nonresident alien employees who receive non-Income Code payments. Apply the procedure detailed below to figure the amount of income tax to withhold from the wages of nonresident alien employees performing services within the United States. (NOTE: Nonresident alien students from India and business apprentices from India are not subject to this procedure.)

Steps Required for Calculation of Taxes

Follow the steps below to calculate how much Federal Income tax to withhold from the wages paid to a nonresident alien employee performing services in the United States, use the following steps:

- **Step 1.** Add to the wages paid to the nonresident alien employee for the payroll period the amount shown in the chart next to the applicable payroll period.
 - Amount to Add to Nonresident Alien Employee's Wages for Calculating Income Tax Withholding Only (see chart on following page).



<u>Payroll Period</u>	<u>Add Additional</u>
Weekly	\$ 151.00
Biweekly	301.90
Semimonthly	327.10
Monthly	654.20
Quarterly	1,962.50
Semiannually	3,925.00
Annually	7,850.00
Daily or Miscellaneous	30.20

- **Step 2.** Use the amount figured in Step 1 and the number of withholding allowances claimed (generally limited to one allowance) to figure income tax withholding. Determine the value of withholding allowances by multiplying the number of withholding allowances claimed by the appropriate amount from Table 5 below. If you are using the Percentage Method Tables for Income Tax Withholding, reduce the amount figured in Step 1 by the value of withholding allowances and use that reduced amount to figure the income tax withholding.

- **Table 5. Percentage Method**—2018 Amount for One Withholding Allowance

<u>Payroll Period</u>	<u>One Withholding Allowance</u>
Weekly	79.80
Biweekly	159.60
Semimonthly	172.90
Monthly	345.80
Quarterly	1,037.50
Semiannually	2,075.00
Annually	4,150.00
Daily or miscellaneous	16.00



- o The amounts from the chart above are added to wages solely for calculating income tax withholding on the wages of the nonresident alien employee. The amounts from the chart should not be included in any box on the employee's Form W-2 and do not increase the income tax liability of the employee. In addition, the amounts from the chart do not increase the social security tax or Medicare tax liability of the employer or the employee, or the FUTA tax liability of the employer. This procedure only applies to nonresident alien employees who have wages subject to income tax withholding.
- **Step 3** – Use the “2018 Federal Withholding Table – Percentage Method” to determine the amount of Federal Withholding Tax. See Circular E below:

Percentage Method Tables for Income Tax Withholding							
(For Wages Paid in 2018)							
TABLE 2—BIWEEKLY Payroll Period							
(a) SINGLE person (including head of household)—				(b) MARRIED person —			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$142		\$0		Not over \$444		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$142	—\$509	\$0.00 plus 10%	—\$142	\$444	—\$1,177	\$0.00 plus 10%	—\$444
\$509	—\$1,631	\$36.70 plus 12%	—\$509	\$1,177	—\$3,421	\$73.30 plus 12%	—\$1,177
\$1,631	—\$3,315	\$171.34 plus 22%	—\$1,631	\$3,421	—\$6,790	\$342.58 plus 22%	—\$3,421
\$3,315	—\$6,200	\$541.82 plus 24%	—\$3,315	\$6,790	—\$12,560	\$1,083.76 plus 24%	—\$6,790
\$6,200	—\$7,835	\$1,234.22 plus 32%	—\$6,200	\$12,560	—\$15,829	\$2,468.56 plus 32%	—\$12,560
\$7,835	—\$19,373	\$1,757.42 plus 35%	—\$7,835	\$15,829	—\$23,521	\$3,514.64 plus 35%	—\$15,829
\$19,373		\$5,795.72 plus 37%	—\$19,373	\$23,521		\$6,206.84 plus 37%	—\$23,521
TABLE 4—MONTHLY Payroll Period							
(a) SINGLE person (including head of household)—				(b) MARRIED person —			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$308		\$0		Not over \$963		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$308	—\$1,102	\$0.00 plus 10%	—\$308	\$963	—\$2,550	\$0.00 plus 10%	—\$963
\$1,102	—\$3,533	\$79.40 plus 12%	—\$1,102	\$2,550	—\$7,413	\$158.70 plus 12%	—\$2,550
\$3,533	—\$7,183	\$371.12 plus 22%	—\$3,533	\$7,413	—\$14,713	\$742.26 plus 22%	—\$7,413
\$7,183	—\$13,433	\$1,174.12 plus 24%	—\$7,183	\$14,713	—\$27,213	\$2,348.26 plus 24%	—\$14,713
\$13,433	—\$16,975	\$2,674.12 plus 32%	—\$13,433	\$27,213	—\$34,296	\$5,348.26 plus 32%	—\$27,213
\$16,975	—\$41,975	\$3,807.56 plus 35%	—\$16,975	\$34,296	—\$50,963	\$7,614.82 plus 35%	—\$34,296
\$41,975		\$12,557.56 plus 37%	—\$41,975	\$50,963		\$13,448.27 plus 37%	—\$50,963



Federal Tax Withholding Calculation Scenarios

Based on the information from the Circular E, the following examples will illustrate how OneUSG Connect will calculate Federal tax withholding for NRA who receive wages not designated as Income Codes per IRS regulations.

- **Scenario #1** – A Monthly hourly paid NRA Employee who is receiving Regular Pay.
 - Employee is a Monthly Paid employee set up as Single with one exemption on Federal Tax Data in PeopleSoft.
 - Employee works 42.0 hours at \$10.1538/hr = \$440.00
 - Fed Tax calculation would be as follows:
 - \$440.00 plus \$654.20 (Step 1) less \$345.80 (Step 2) = \$748.40
less \$308 times 10% (Step 3) = \$44.04

Steps to Calculate Taxes	Amount
Step 1-Add Additional IRS required earnings to employee's pay	\$440.00 + \$654.20 = \$1094.20
Step 2-Use IRS Withholding Allowance to reduce taxable earnings	\$1094.20 - \$345.80 = \$748.40
Step 3 – Use Percentage Method to determine taxable earnings	\$748.40 - \$308 = \$440.40
Step 3 – Use Percentage Method to determine federal tax withholding	\$440.40 x 10% = \$44.04

Example of the tax withholding that calculated in OneUSG Connect:



Paycheck Earnings		Paycheck Taxes		Paycheck Deductions					
Empl ID	Name	Company	Pay Group	Pay Period End	Page	Line	Separate Check		
430		430	43G	04/30/2018	52	2			
Paycheck Information						Paycheck Totals			
Paycheck Status Confirmed		Paycheck Option Advice		Earnings		440.00			
Issue Date 04/30/2018		Paycheck Number 420052		Taxes		48.95			
<input type="checkbox"/> Off Cycle	<input type="checkbox"/> Reprint	<input type="checkbox"/> Adjustment	<input type="checkbox"/> Corrected	<input type="checkbox"/> Cashed	Deductions		0.00		
						Net Pay		391.05	
Taxes									
Personalize Find View All First 1-2 of 2 Last									
Tax Details 1		Tax Details 2		Tax Tips					
Tax Entity	State	Resident	Locality	Locality Name	Tax Class	Taxable Gross	Tax Amount		
US Federal					Withholding	440.00	44.00		
State	GA	Y			Withholding	440.00	4.95		
1042 Taxes									
Personalize Find View All First 1 of 1 Last									
State	Country	Tax Rate	Taxable Gross	Tax Amount	Income Code	Income Type	Withholding Allowance		
		0.000000		0.00					

- **Scenario #2** – A Biweekly hourly paid NRA Employee who is receiving non Income Code pay.
 - Employee is set up as Single with one exemption on Fed Tax Data in PeopleSoft.
 - Employee works 40.4 hours at \$9.00/hr = \$363.60
 - Fed Tax calculation would be as follows:
 - \$363.60 plus \$301.90 (Step 1) less \$159.60 (Step 2) = \$505.90 less \$142.00 times 10% (Step 3) = \$36.39

Steps to Calculate Taxes	Amount
Step 1-Add Additional IRS required earnings to employee’s pay	\$363.60 + \$301.90 = \$665.50
Step 2-Use IRS required Withholding Allowance to reduce taxable earnings	\$665.50 - \$159.60 = \$505.90
Step 3 – Use Percentage Method to determine taxable earnings	\$505.90 - \$142.00 = \$363.90
Step 3 – Use Percentage Method to determine federal tax withholding	\$363.90 x 10% = \$36.39



Example of the tax withholding that calculated in OneUSG Connect:

Paycheck Earnings		Paycheck Taxes		Paycheck Deductions			
Empl ID	Name	Company 430	Pay Group 43T	Pay Period End 05/05/2018	Page 263	Line 5	Separate Check
Paycheck Information				Paycheck Totals			
Paycheck Status Confirmed		Paycheck Option Advice		Earnings	363.60		
Issue Date 05/11/2018		Paycheck Number 442531		Taxes	40.62		
<input type="checkbox"/> Off Cycle	<input type="checkbox"/> Reprint	<input type="checkbox"/> Adjustment	<input type="checkbox"/> Corrected	Deductions	0.00		
				Net Pay	322.98		
Taxes				Personalize Find View All First 1-2 of 2 Last			
Tax Details 1		Tax Details 2		Tax Tips			
Tax Entity	State	Resident	Locality	Locality Name	Tax Class	Taxable Gross	Tax Amount
US Federal					Withholdng	363.60	36.36
State	GA				Withholdng	363.60	4.26
1042 Taxes				Personalize Find View All First 1 of 1 Last			
State	Country	Tax Rate	Taxable Gross	Tax Amount	Income Code	Income Type	Withholding Allowance
		0.000000		0.00			



- **Scenario #3** – A Monthly Paid Salaried NRA Employee who is receiving Regular Pay
 - Employee is set up as Married with one exemption plus and an additional \$100 withholding on Fed Tax Data in PeopleSoft. (Note: As described in Circular E, NRA employees will be considered S-1 for Federal Tax withholding calculation purposes.)

Federal Tax Data		State Tax Data	Local Tax Data
Person ID [REDACTED]			
Tax Data ?		Find View All First 1 of 1 Last	
Company	430	Kennesaw State University	
*Effective Date	03/25/2018		
Updated By		Date Last Updated	03/17/2018
Federal Withholding Elements ?			
*Special Withholding Tax Status	Nonresident alien		
*Tax Marital Status	Married	Married	
<input type="checkbox"/> Check here and select Single status if married but withholding at single rate.			
Withholding Allowances	1		
Additional Amount	\$100.00		
Additional Percentage	0.000		
<input type="checkbox"/> Exempt from FUT			
▶ W-4 Processing Status ?			
▶ Lock-In Letter Details ?			
▶ State Tax Options ?			
▼ Tax Treaty/Non-Resident Data ?			
Country	US	Treaty ID	QKNA
*Form W-9 Received	No	Form W-9 Effective Date	
Taxpayer ID Number		NRA Withholding Rule	Subject to Rule



Employee is paid regular wages of \$6,400.00 per month and had before tax deductions of \$1,027.22:

Paycheck Earnings		Paycheck Taxes		Paycheck Deductions	
Empl ID	Name	Company	Pay Group	Pay Period End	Page
430	43F	04/30/2018	19	Line 7	Separate Check
Paycheck Information				Paycheck Totals	
Paycheck Status Confirmed		Paycheck Option Advice		Earnings	6,400.00
Issue Date 04/30/2018		Paycheck Number		Taxes	1,632.73
<input type="checkbox"/> Off Cycle	<input type="checkbox"/> Reprint	<input type="checkbox"/> Adjustment	<input type="checkbox"/> Corrected	<input type="checkbox"/> Cashed	
				Deductions	1,304.65
				Net Pay	3,462.62
Deductions					
Deduction Details 1		Deduction Details 2		Deduction Details 3	
Deduction Code	Description	Class	Amount	Calculated Base	
01ORPL	Optional Retirement Plan LMT	Before-Tax	384.00		
01ORPL	Optional Retirement Plan LMT	Nontaxable Btax Benefit	591.36		
01BLIF	Basic Life	Nontaxable Benefit	16.07		
01DENH	Dental-High Option	Before-Tax	109.25		
01KHMN	Kaiser HMO ER	Nontaxable Benefit	1,010.07		
01KHMO	Kaiser HMO	Before-Tax	489.25		
01LTD	Long Term Disability	After-Tax	19.87		
01SPLF	Supplemental Life	After-Tax	210.56		
01VISN	Vision Insurance	Before-Tax	21.72		
43FIT	Recreation/Fitness/Wellness	After-Tax	12.00		
43PRKB	Parking/Transit Before Tax-KSU	Before-Tax	23.00		
43REC	Rec Center Membership	After-Tax	35.00		

- o Fed Tax calculation would be as follows:
 - \$6,400.00 less before tax deductions \$1,027.22 = \$5,372.78 plus \$654.20 (Step 1) less \$345.80 (Step 2) = \$5,681.18 less \$3,533 times 22% plus \$371.12 = \$843.71(Step 3) plus \$100.00 additional withholding from employees Fed tax data = \$943.71 Federal tax Withheld.

Steps to Calculate Taxes	Amount
Step 1-Add Additional IRS required earnings to employee's pay	\$5372.78 + \$654.20 = \$6026.98
Step 2-Use IRS required Withholding Allowance to reduce taxable earnings	\$6026.98 - \$345.80 = \$5681.18



Step 3 – Use Percentage Method to determine taxable earnings	\$5681.18 - \$3533 = \$2148.18
Step 3 – Use Percentage Method to determine federal tax withholding	\$2148.18 x 22% = \$572.69
Step 3 – Use Percentage Method to determine federal tax withholding	\$572.69 + \$371.12 = \$843.71
Additional Withholding Elected by Employee	\$843.71 + \$100 = \$943.71

Example of the tax withholding that calculated in OneUSG Connect:

The screenshot displays the 'Paycheck Taxes' section of the OneUSG Connect interface. It includes fields for 'Empl ID', 'Company', 'Pay Group', 'Pay Period End', 'Page', 'Line', and 'Separate Check'. Below these are 'Paycheck Information' fields such as 'Paycheck Status', 'Paycheck Option', 'Issue Date', and 'Paycheck Number'. A 'Paycheck Totals' summary shows Earnings of 6,400.00, Taxes of 1,632.73, Deductions of 1,304.65, and Net Pay of 3,462.62. The 'Taxes' section features a table with columns for Tax Entity, State, Resident, Locality, Locality Name, Tax Class, Taxable Gross, and Tax Amount. The table lists several federal taxes (MED/EE, Med/ER, OASDI/EE, OASDI/ER) and a 'Withholding' entry for US Federal with a taxable gross of 5,372.78 and a tax amount of 943.64. State taxes for Georgia (GA) are also listed, including Unempl ER and another Withholding entry.

Tax Entity	State	Resident	Locality	Locality Name	Tax Class	Taxable Gross	Tax Amount
US Federal					MED/EE	5,756.78	83.47
US Federal					Med/ER	5,756.78	83.47
US Federal					OASDI/EE	5,756.78	356.92
US Federal					OASDI/ER	5,756.78	356.92
US Federal					Withholding	5,372.78	943.64
State	GA				Unempl ER	3,100.00	
State	GA	Y			Withholding	5,372.78	248.70

These new federal tax calculations were included in the February 2018 tax update. Since State Withholding for NRAs follows Federal Rules, the same calculations would apply to state withholding.

