



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 13-4, Nonresident Alien Federal Income Tax Withholding

Date: January 10, 2013

To: Subscribers of Tax Bulletins

Since resident and nonresident aliens are taxed differently, it is important to determine the correct status. For more information on resident and nonresident alien status, refer to the Internal Revenue Service Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, dated March 5, 2010, on the Internal Revenue Service (IRS) Web site (www.irs.gov). For complete processing instructions, see Bulletin 10-31, Nonresident Alien Federal Income Tax Withholding, dated December 30, 2010.

Beginning with wages paid for Pay Period 27, 2012, the National Finance Center (NFC) will make the following changes:

- The withholding table will change.
- The annual amount to add to a nonresident alien's taxable wages prior to calculating the tax withholding will increase from \$2,150 to \$2,200.
- The exemption allowance will increase from \$3,800 to \$3,900.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the *NFC Home Page* (<http://www.nfc.usda.gov>) and click the **Publications** link at the top of the page. At the Publications page right-hand menu, click **Tax Formulas** and select the appropriate State from the map provided. Changes to the tax formula are identified by "▶◀".

Inquiries

For questions about NFC processing, authorized Servicing Personnel Office representatives should contact the NFC Contact Center at **1-855-NFC-4GOV (1-855-632-4468)** or via the Internet using the Requester Console.

RANDY L. SPEED, Director
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Nonresident Alien Federal Income Tax Withholding Formula

Acceptable Exemption Form:	W-4
Basis for Withholding:	Federal Exemptions
Acceptable Exemption Data:	N/Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number of Allowance field as follows:
Additional Information:	Exemption Code N is the only acceptable code for nonresident aliens. Claim only one exemption, unless a resident of Canada, Mexico, South Korea, or a United States national.

Withholding Formula ▶(Effective Pay Period 27, 2012)◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes dental and vision insurance program and Flexible Spending Account – health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (i.e., taxable life insurance) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.
5. Add ▶\$2,200◀ to the employee’s annualized gross pay.
6. Determine the exemption allowance by applying the following guideline. Subtract this amount from the annual wages to obtain the taxable income.

$$\text{Exemption Allowance} = \text{▶\$3,900◀} \times \text{Number of Exemptions}$$

7. Apply the taxable income computed in step 6 to the following table to determine the Federal income tax withholding.

Tax Withholding Table

Single or Head of Household

If the Amount of Taxable Income Is:	The Amount of Federal Income Tax Withholding Should Be:
Not more than ▶\$2,200◀	\$0

Tax Withholding Table

Single or Head of Household

If the Amount of Taxable Income Is:		The Amount of Federal Income Tax Withholding Should Be:			
Over:	But Not Over:	Of Excess Over:			
\$2,200	11,125	0	plus	10.0%	2,200
11,125	38,450	892.50	plus	15.0%	11,125
38,450	90,050	4,991.25	plus	25.0%	38,450
90,050	185,450	17,891.25	plus	28.0%	90,050
185,450	400,550	44,603.25	plus	33.0%	185,450
400,550	402,200	115,586.25	plus	35.0%	400,550
402,200	and over	116,163.75	plus	39.6%	402,200

8. Divide the annual Federal income tax withholding by 26 to obtain the biweekly Federal income tax withholding.