SR82831 Requirements

Federal Tax Table for Non-Resident Aliens
Effective January 1, 2010.

Objective:

The objective of this service request is to establish a new tax rate set in the Federal Tax Withholding Table in PPS to be used in calculating additional federal income tax withholding for Non Resident Alien (“NRA”) employees only. This rate set does not replace the current federal withholding tax data in PPS nor does it eliminate the current procedure in PPS for calculating federal withholding for NRAs. The federal tax calculated using the additional rate set should be added to the NRA federal withholding tax currently calculated in PPS, the sum of the two tax amounts equaling the total federal withholding for NRAs.

Project Type:

This is an enhancement to control table values, programs, and forms in PPS.

Requested by:

Payroll Coordination

Analyst:

Business analyst: Carolyn Murray, Payroll Coordination
Requirements analyst: Beth Burkart, IR&C

Urgency:

Urgent - Date Mandated.

Target Processing Deadline:

The new rates are effective for wages paid to NRAs as of January 1, 2010 and should be released to the campuses as soon as possible.
Statement of Business Need:

The IRS has promulgated a new federal tax withholding methodology for Non-Resident Alien employees effective with wages paid January 1, 2010. The existing federal tax withholding table used for all employees subject to U.S. income tax contains two sets of rates for each payroll period: married and single. The new methodology creates an additional federal tax withholding rate set for NRAs only, to be used in conjunction with the standard federal withholding table rate sets.

Background:

Non-Resident Alien employees who earn compensation for services are subject to federal income tax withholding which the employer is obligated to withhold. The standard federal withholding tax table incorporates two benefits for which the non-resident alien is not eligible: the standard deduction and the Making Work Pay Credit (MWPC) created by the American Recovery and Reinvestment Act of 2009.

Establishment of the additional Federal Tax table rate set for Non-Resident Aliens only is needed to offset the MWPC benefit. To offset the standard deduction benefit, a flat amount is currently added to gross wages to determine NRA tax liability using the standard federal table.

Current Process:

NRA federal income tax is currently calculated in two steps:

Step 1: A flat dollar amount is added to NRA gross wages based on pay frequency solely for the purpose of calculating federal taxable gross wages. This is for the purpose of offsetting the standard deduction benefit. The flat dollar amounts are currently listed on the PPS System Parameter Table in parameter numbers 118, 119 and 120, for monthly, semi-monthly and bi-weekly pay periods, respectively.

Step 2: Once the NRA federal taxable gross wages have been calculated, federal income tax is calculated using the standard federal withholding table used for all employees that is currently maintained in PPS.

Proposed Process:

An additional tax rate set should be established in the PPS federal income tax withholding table for use in calculating NRA federal withholding tax only. This rate set is in the form of a graduated table based on Single filing status only. See Attachment A for completed UPAY.

Two additional steps are needed to calculate the correct federal withholding tax for NRAs:

1. Using the federal taxable gross wages established in Step 1 of the Current Process, an additional federal withholding tax should be calculated using the new NRA tax rate set in the federal tax withholding table.
2. The federal withholding tax calculated in the Current Process should be added to the federal withholding tax calculated in the Proposed Process to arrive at the total federal withholding tax for NRAs.
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System Requirements:

1.0 Overview of Modifications

For the purpose of the new NRA tax calculation, NRA status should be determined using the same criteria as the compute currently uses when it adds the flat amount.

Modifications to PPS include a new tax rate set in the Federal Tax table, changes to the processes that update and read the control table, changes to the federal tax calculation for Non-Resident Aliens in the compute, and one new and one modified UPAY form. The NRA portion of the Federal Tax table should be populated with the data provided in this Service Request. Note that other federal tax rates should remain as is.

Modifications to the following areas are required:

- Control Table Updates: A new tax rate set should be added to the Federal Tax table to facilitate calculation of additional federal taxes for Non-Resident Aliens. This SR provides new tax table values specific to Non-Resident Aliens for Biweekly, Semi-monthly and Monthly pay schedules. Processes that update and use the Federal Tax table must be able to utilize both negative and positive percent of excess values.

  The process that updates the control tables should issue a message if any one of these rate sets is absent: exemption allowance, single, married, and NRA.

  This request includes additions and changes to the System Messages table.

- EDB Data Elements: No new data elements or modifications to existing data elements.

- CICS Modifications: None

- Web Modifications: None

- One-time Processes: None

- EDB Maintenance:

  - History Process: None

  - Compute Process: During the compute, the new tax amount must be calculated and added to the existing tax amount for Non-Resident Aliens.

  - Distribution of Expense: None

  - Consolidated Billing and Self-Billing: None

  - Interface Files: None

  - Forms: One new UPAY form and one modified UPAY form

  - Other Processes: No changes

  - Reporting and Notification: The Federal Tax Table report should include the new NRA tax rate set and the heading should reflect “marital status or tax rate set.”
2.0 Control Table Updates

A new tax rate set specific to Non-Resident Aliens should be added to the federal tax table. In addition, new system messages should be established in the System Messages table.

2.1 Federal Tax Table

A new tax rate set should be established in the Federal Tax table so that the additional tax for Non-Resident Aliens can be calculated. A marital status indicator of “N” should be used as the record key, similar to the way the marital status of “E” is currently used to indicate exemption amount. Data in the attached UPAY form should be loaded into this new rate set in the Federal Tax table.

The processes that update, access and report on control table data should be modified to account for this new NRA tax rate set.

The structure of this new rate set matches the structure of the married and single rate sets. Note, however, that negatives are not currently expected in the input form. Some percent of excess values in the new rate set will be negative. Therefore, additional programming may be required to allow negative values to be entered into the NRA rate set of the Federal Tax table. Negative values should not be allowed in the other tax rate sets.

When the Federal Tax Table is updated, transactions for all rate sets (single, married, and NRA) and withholding exemption allowances should be supplied. If any of these rate sets is absent, then a message should be issued and the update should fail.

2.2 System Messages Table

Modifications should be made to the System Messages table to accomplish the following:

- Allow negative percent of excess values in the Federal Tax table, but only for NRA tax rates
- Allow the values of only “+”, “-”, or blank in the new sign field for the %excess (with blank implying a +)
- Issue an error message when an attempt is made to update the Federal Tax table without supplying all rate sets
- Reflect the fact that a single indicator is being used for either marital status or another type of tax rate set

Message table changes are as follows:

- A new message, M01179, with the same attribute of message M01182 (FED TAX: NON-NUMERIC TAX PERCENTAGE.) should be added with the suggested description of "FED TAX: NEGATIVE TAX PERCENT ALLOWED FOR ONLY NRA TAX RATE SET."
- A new message, M01165, with the same attribute of message M01182 (FED TAX: NON-NUMERIC TAX PERCENTAGE.) with the suggested description of "FED TAX: %EXCESS SIGN MUST BE "+", ",", OR BLANK (IMPLIES "+")" should be added.
• A new message, M01169, with the same attribute of message M01188 (FED TAX: MARRIED/SINGLE PORTION OF TABLE IS MISSING.) should be added with the suggested description of "FED TAX: NON RESIDENT ALIEN PORTION OF TABLE IS MISSING."

• Change the description of the existing message M01186 from "FED TAX: INVALID MARITAL STATUS." to a suggested description of "FED TAX: INVALID MARITAL STATUS OR TAX RATE SET."

3.0 Compute Process Changes

The compute process should be modified to calculate the additional tax for the Non-Resident Aliens using the new NRA rate set and then add this amount to the federal income tax amount currently being calculated.

There are no changes to the Pay Edit, Gross-to-Net Process, Net Pay Remittance, Record of Earnings Reporting, or OPTRS.

3.1 Gross Pay Derivation

The new NRA tax rate set in the Federal Tax table should be used to calculate an additional federal tax amount. This tax amount should be added to the federal tax currently being calculated for the Non-Resident Aliens. The same gross pay amount currently used to obtain the federal tax for NRAs should be used to obtain the additional tax based on the new NRA tax rate set.

3.2 Online Compute Processing

The method of calculating federal taxes for Non-Resident Aliens in the ORCA and On-line Rush Checks processes should be modified.

Note that some of the table values that will be used to calculate the additional NRA tax are negative. This differs from the existing values in the Federal Tax table.

3.2.1 ORCA

The ORCA process should be modified so that:

• The new NRA tax rate set in the Federal Tax control table is used to calculate an additional federal tax for NRA employees.

• The new federal tax amount is added to the federal tax currently being calculated for the NRA. The sum of these two amounts becomes the total NRA federal tax.

3.2.2 On-line Rush Checks

The On-line Rush Check process should be modified so that:

• The new NRA tax rate set in the Federal Tax control table is used to calculate an additional federal tax for NRA employees.

• The new federal tax amount is added to the federal tax currently being calculated for the NRA. The sum of these two amounts becomes the total NRA federal tax.
4.0 Forms

A new UPAY547B form should be added to accommodate the new NRA tax rate set in the Federal Tax table, since there is not enough room for this data on the existing UPAY547 form. The UPAY547B form should contain a column for the sign (+ or -).

The UPAY547 form should be renamed UPAY547A.

Both the UPAY547A form and the UPAY547B form must be submitted any time there is a data update to the Federal Tax table. A note should be added to both UPAY forms stating that the UPAY547A and the UPAY547B forms should be submitted together.

See samples in Attachments B and C.

5.0 Reporting and Notification

5.1 Control Table Reporting

The process that reports on the contents of the control tables is impacted. The new NRA tax rate set should be reported on the Federal Tax table report, and the report should show the sign on any negative percent of excess values in the NRA tax rate set. The set should be labeled “Non Resident Alien.”

The report heading that currently reads “Marital Status” should be changed to “Marital Status/Tax Rate Set” to reflect the fact that that same column holds both marital statuses “single” and “married” and other tax rate sets “exemption amount” and “Non-Resident Alien.”