MEMORANDUM

TO: Vice Presidents for Administration and Finance

FROM: Mary A. Soderberg
Vice Chancellor for Administration and Finance

DATE: October 29, 2003

RE: Nonresident Alien Treaty Processing

This memorandum confirms the agreement reached at the October meeting of the Fiscal and Administrative Vice Presidents regarding nonresident alien treaties.

Currently, by submitting all paperwork required by the State System of Higher Education to the university payroll office, employees can request that the State System honor a tax treaty between their country and the U.S., thereby requesting exemption from federal income tax withholding. Based on the information received, the university payroll office attempts to determine the employee's treaty status and enter the new employee on the HRS system. All paperwork is faxed to Payroll Services in the Office of the Chancellor, where each individual is reviewed, and based on resources and information on hand, a final determination is made on the treaty status, which is passed on to the university. Based on the information provided, Payroll Services enters information in HRS to honor the treaty. The university, in turn, notifies the employee of the decision, and the university faxes Form 8233 to the IRS. Treaty benefits can begin upon notification to the IRS. Payroll Services monitors the federal income tax withholding status throughout the year for all employees claiming treaty exemption benefits and prepares annual 1042-S forms for each employee claiming treaty exemption benefits.

As a result of the work on implementation of SAP HR/Payroll, which has stressed payroll accounting resources, it was agreed that no new treaties would be honored until after completion of responsibilities for system go-live. Treaties in effect for current employees may remain in effect. However, until the implementation of SAP is complete, universities will not honor any new treaties. Honoring treaties is not an obligation of the employer; it is a decision the employer is eligible to make. The employees that are not set up for treaties during this period will not be penalized as they are able to report taxes paid on their personal tax returns.

If you have any questions, please contact Pamela Brand at 717-720-4164 or by e-mail at pbrand@sshechan.edu.

MAS/PLB/sds

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