

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

DATE: January 15, 2010

PERSONNEL LETTER #10-003

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

FROM: Lisa Crowe, Chief
Personnel/Payroll Services DivisionRE: **CHANGES TO FEDERAL TAX WITHHOLDING RATES FOR NONRESIDENT ALIENS**

This is to advise you of changes to the federal tax withholdings for nonresident alien (NRA) employees effective for payments issued on or after January 1, 2010. The existing NRA federal tax withholding program will be changed as a result of the Internal Revenue Service (IRS) Notice 1036 (Rev. November 2009). The NRA tax tables will be modified to account for the "Making Work Pay Tax Credit". The NRA employees are not entitled to the credit and the amount that is currently added to a NRA employee's federal taxable gross wages for calculation purposes need to be changed accordingly. The new dollar amounts added to NRA employees' wages effective January 1, 2010 (based on the employee's pay frequency) are:

Monthly	\$170.83
Semimonthly	\$85.42
Bi-weekly	\$78.85

For specific information on the federal tax changes for NRA employees, please see IRS Notice 1036 (Rev. November 2009), <http://www.irs.gov/pub/irs-pdf/n1036.pdf>, and IRS Notice 2009-91, <http://www.irs.gov/pub/irs-drop/n-09-91.pdf>.

The changes made to the NRA federal tax withholding procedures may increase or decrease the total amount of federal taxes withheld from an NRA employee's wages each month. Please see Payroll Letters #06-029 and #06-030 for further information regarding the NRA federal tax withholding process.

If you have any questions regarding the above information, please contact Jeanna Gonzalez at (916) 322-3899 or jgonzalez@sco.ca.gov.

LM:JG:PMAB