

IMPORTANT INFORMATION ABOUT NEW FORM NC-4 NRA

The following information supplements information in NC-30, 2015 Withholding Tables and Instructions for Employers, Form NC-4 NRA, Nonresident Alien Employee's Withholding Allowance Certificate, and Important Notice to Employers and Pension Payers That Withhold North Carolina Income Tax dated December 22, 2014.

North Carolina's wage bracket tables, percentage method, and annualized method of computing the amount of income tax to be withheld incorporate the standard deduction allowed to most taxpayers in determining the amount to be withheld. However, nonresident aliens generally are not eligible for the standard deduction. Form NC-4 NRA requires the nonresident alien employee to enter on line 2 an additional amount of income tax to be withheld for each pay period to account for the inclusion of the standard deduction in the wage bracket tables, percentage, and annualized methods of computing income tax withheld. The additional tax to withhold per pay period is identified in a chart on page 2 of Form NC-4 NRA and represents the income tax on the standard deduction for the single filing status (\$7,500) divided by the number of payroll periods during the year. For example, an employee paid monthly is required to enter \$36 ($\$7,500 \times 5.75\% \div 12$).

The additional withholding properly addresses the tax impact of the ineligibility for the standard deduction for most nonresident alien employees. However, the additional withholding results in overwithholding in two instances - (1) employees that earn less than \$7,500 per year, and (2) employees who are students or business apprentices and residents of India. To prevent overwithholding in the first instance, an employer should limit the additional withholding to the lesser of the amount reported by the employee on line 2 or 5.75% of the wages for that period if the amount of wages for that period multiplied by the number of payroll periods during the year is \$7,500 or less. The following chart lists the wages per period that qualify for the 5.75% limitation. Wages exceeding the amounts in the chart are subject to the entire amount of additional withholding.

Payroll period	Additional withholding from line 2 limited to 5.75% of the amount of wages if wages do not exceed:
Weekly	\$144
Biweekly	\$288
Semimonthly	\$312
Monthly	\$625

Example: Employee is a nonresident alien and is paid on a monthly basis. Employee earns wages of \$500 in February 2015. Employee files a Form NC-4 NRA claiming 0 allowances on line 1 and additional withholding of \$36 on line 2. According to the tax tables, no withholding is due. Without the modification, Employer will withhold \$36. Using the modification, Employer will withhold \$29 ($\$500 \times 5.75\%$).

To prevent overwithholding in the second instance, an employee who is a student or business apprentice and a resident of India should enter \$0 on line 2 of Form NC-4 NRA.

If you have any questions about these modifications or the requirement to withhold North Carolina income taxes from nonresident aliens, please call the Department at 1-877-252-3052 (toll-free).