



Fact Sheet

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IRS Clarifies Form 1042-S Requirements for Withholding Agents; Outlines Common Errors

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The Internal Revenue Service has made a series of changes and clarifications to the Form 1042-S, and the accompanying instructions, in an effort to assist withholding agents to more accurately report income and withholding information relating to payments made to non-resident alien recipients.

Withholding agents are required to complete [Form 1042-S](#), Foreign Person's U.S. Source Income Subject to Withholding, for payments made to non-resident aliens.

Many of the clarifying changes underscore the need for exact reporting of the recipient's name on all copies of Form 1042-S, and for identical information to be reported on all copies of Form 1042-S.

Withholding agents must complete five copies of the Form 1042-S. Copy A should be filed with the IRS. Copies B, C and D should be furnished to the recipient of the payment. Copy E should be retained by the withholding agent. All information, including the name of the recipient, must match exactly on all copies.

Creating a Substitute Form 1042-S

Many withholding agents create a substitute version of the Form 1042-S. Starting with calendar year 2016, if a withholding agent creates a substitute Form 1042-S, all five copies must be in the same physical format. The size, shape and format of any substitute form must adhere to the rules of [Publication 1179](#), General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns. The official Form 1042-S is the standard for substitute forms. Copy A, which is filed with the IRS, and copies B through D, which are furnished to the recipient, must be identical in form and content.

Reporting the Recipient's Name

The recipient's name must be reported exactly as it appears on the official documentation provided to the withholding agent (such as a Social Security Administration card or some other form of official governmental documentation). Example: Mary cannot be a substitute for Maria. If the copy of the Form 1042-S that is filed with the IRS differs from the copy furnished to the recipient, the recipient's claim for credit or refund will be denied.

Reporting Joint Owners

A common error is to complete a Form 1042-S reporting two or more recipients in box 13a.

A Form 1042-S must never report more than one person as the recipient (in box 13a). The 2016 [instructions to Form 1042-S](#) have been updated to clarify that, in the case of joint owners, Form 1042-S can only list one of the owners as the recipient in box 13a.

In the case of payments made to joint accounts, the withholding agent must:

- Issue a single Form 1042-S made out to the owner whose status the withholding agent relied upon to determine the withholding tax rate (the owner subject to the highest rate of withholding); or
- If one of the owners requests a separate Form 1042-S, allocate the payment and tax withheld among the joint owners and issue a separate Form 1042-S to each owner. In this case, the amount of the payment (and tax withheld) reported on all of the Forms 1042-S may not exceed the total amount of the payment (and tax withheld) made to the joint account.

Filing an Extension

To request a 30-day extension to file Form 1042-S, withholding agents must file [Form 8809](#), Application for Extension of Time To File Information Returns, before the March 15 due date of the Form 1042-S. When Form 8809 is timely filed, an automatic 30-day extension will be granted. If more time is needed, a second Form 8809 must be filed before the end of the initial extension period. A further extension is granted only at the discretion of the IRS and only if the filer can show extenuating circumstances that prevent filing of the Forms 1042-S within the first 30-day extension. DO NOT use Form 7004 for an extension to file the Forms 1042-S.

Amending a Form 1042-S

If an amended Form 1042-S is required, it must be filed with the IRS and copies must be furnished to the recipient. The information on each copy of the amended Form 1042-S must match exactly. If a Form 1042-S has never been filed for a recipient, the withholding agent should issue an original Form 1042-S.

For example, if a withholding agent issues a Form 1042-S with an incorrect recipient name, it must issue an amended Form 1042-S to correct the original submission. The amended form should be issued with the recipient name that was originally reported (the incorrect name) and with zeros reported in all dollar fields. This will correct the amount reported using the incorrect recipient name. The withholding agent should then submit an original Form 1042-S using the correct recipient name and information (if one has not been filed previously).

Planning Ahead for Tax Year 2017 Changes

Unique Form Identifier

The IRS has created a new field on the 2017 Form 1042-S that will require withholding agents to assign a unique identifying number to each original Form 1042-S that is filed. This will be a mandatory requirement starting in 2017.

The Unique Form Identifier (UFI) must be numeric and exactly 10 digits. A withholding agent must assign a UFI number to each original Form 1042-S that is filed.

Example: Withholding agent ABC Corp. issues five Forms 1042-S for calendar year 2017:

Form 1042-S for Recipient A reporting service payments – UFI: 1234567891
Form 1042-S for Recipient A reporting royalty payments – UFI: 1234567892
Form 1042-S for Recipient B reporting service payments - UFI: 1234567893
Form 1042-S for Recipient C reporting service payments - UFI: 1234567894
Form 1042-S for Recipient C reporting interest payments - UFI: 1234567895

A new box has been added for withholding agents to indicate the number of amendments that have been made to the same Form 1042-S (as determined by the form's UFI). Example: If ABC Corp. amends the Form 1042-S issued to Recipient B for the first time, it would indicate the UFI to be: 1234567893 and indicate Amended #1. If ABC Corp. has to amend the same form again, it would indicate the same UFI: 1234567893 and indicate Amended #2.

The purpose of this requirement is to assist the IRS in identifying which information return is being amended when multiple information returns are filed by a withholding agent with respect to the same recipient.

For calendar year 2016, withholding agents may use box 13k, Recipient's Account Number, to provide the UFI in cases in which the recipient does not have an assigned account number.

Payer status codes:

New fields have been added for payer chapter 3 and 4 status codes. This will allow the IRS to determine the status of a withholding agent in cases in which it uses an agent to fulfill its withholding obligations.

Common Errors

Each year, the IRS sees a series of common errors made by withholding agents that can be easily corrected. Errors may lead to delays in processing the recipient's return and claims for credit or refund. Often, these errors involve a withholding agent providing different information on copies of the Form 1042-S. Here are a few common errors:

- Recipient's name is not exactly the same on all copies A through E.
- Using a prior-year Form 1042-S for the current calendar year.
- Dollar amounts include cents on one copy and not on the other (\$100 vs \$100.25). Form 1042-S is a dollars-only form. Round numbers to the nearest dollar.

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- Tax rates are not exactly the same on all copies A through E (for example, using 30.00 on one copy and 29.50 on another copy).
 - The “Amended” box is checked on the copy filed with IRS, but the withholding agent has not provided a copy of the amended form to the recipient.
 - Truncating the recipient’s taxpayer identification number in a format that is inconsistent with the IRS truncation rules (as provided in the instructions to the Form 1042-S).
 - Both Chapter 3 and Chapter 4 are indicated on a single Form 1042-S. As of calendar year 2016, the Chapter 3 and Chapter 4 checkboxes have been removed and withholding agents must instead enter either “3” or “4” as the chapter indicator (not both).
 - The box used to indicate that a withholding agent is applying the escrow procedure (and thus has not deposited the withheld amounts that are being reported) is checked on one copy of the form but not the others.