

**Annual Withholding Tax Return for
U.S. Source Income of Foreign Persons**

1996

Department of the Treasury
Internal Revenue Service

▶ See instructions.

Name of withholding agent	Taxpayer identification number	
Number, street, and room or suite no. (if a P.O. box, see instructions)	For IRS Use Only	
	CC	FD
	RD	FF
	CAF	FP
	CR	I
	EDC	SIC
City or town, state, and ZIP code		

If you will not be liable for returns in the future, check here Enter date final income paid ▶ _____

Check here if you made quarter-monthly deposits using the 90% rule (see **Deposit Requirements** in the instructions)

If this is an Amended Return, check here

Record of Federal Tax Liability (Do not show Federal tax deposits here.)

Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Deposit period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)
1			21			41		
2	Jan.	7	22	May	7	42	Sept.	7
3		15			15			15
4		22			22			22
5		31			31			31
6	Jan. total		25	May total		45	Sept. total	
6			26			46		
7	Feb.	7	27	June	7	47	Oct.	7
8		15			15			15
9		22			22			22
10		29			30			31
11	Feb. total		30	June total		50	Oct. total	
11			31			51		
12	Mar.	7	32	July	7	52	Nov.	7
13		15			15			15
14		22			22			22
15		31			31			31
16	Mar. total		35	July total		55	Nov. total	
16			36			56		
17	Apr.	7	37	Aug.	7	57	Dec.	7
18		15			15			15
19		22			22			22
20		30			31			31
21	Apr. total		40	Aug. total		60	Dec. total	

61 Total tax liability (add monthly total lines from above) ▶	61	
62 Form(s) 1042-S:		
a Number filed on magnetic tape.....	b Number filed on paper	
63 Form(s) 1042-S and 1000:		
a Gross income paid.....	b Taxes withheld or assumed.....	
64 Total paid by Federal tax deposit coupons or by electronic funds transfer (or with a request for an extension of time to file) for 1996	64	
65 Enter overpayment applied as a credit from 1995 Form 1042	65	
66 Total payments. Add lines 64 and 65 ▶	66	
67 If line 61 is larger than line 66, enter BALANCE DUE here	67	
68 If line 66 is larger than line 61, enter OVERPAYMENT here	68	
69 Apply overpayment on line 68 to (check one): <input type="checkbox"/> Credit on 1997 Form 1042; or <input type="checkbox"/> Refund		

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.			
	▶ _____ Your signature	Date	▶ _____ Capacity in which acting	
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no.
	Firm's name (or yours if self-employed) and address ▶	EIN ▶		
		ZIP code ▶		

Section references are to the Internal Revenue Code unless otherwise noted.

Paperwork Reduction Act Notice

We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 7 hr., 10 min.; **Learning about the law or the form**, 2 hr., 2 min.; **Preparing the form**, 4 hr., 5 min.; and **Copying, assembling, and sending the form to the IRS**, 32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the form to this address. Instead, see **Where and When To File** below.

General Instructions Changes To Note

Amending Form 1042.—An “Amended Return” checkbox has been added to Form 1042 to allow withholding agents to correct the return after it has been filed. See page 4.

Electronic deposit requirement.—If your total deposits of social security, Medicare, and withheld income taxes were more than \$50,000 in 1995, you must make electronic deposits for all depository tax liabilities that occur after June 30, 1997. For details, see page 4.

Purpose of Form

Use Form 1042 to report tax withheld on income of nonresident aliens, foreign partnerships, foreign corporations, and nonresident alien or foreign fiduciaries of estates or trusts, and to transmit **Forms 1042-S**, Foreign Person’s U.S. Source Income Subject to Withholding.

Who Must File

Every U.S. withholding agent who receives, controls, has custody of, disposes of, or pays any fixed or determinable annual or periodic income, and certain Canadian withholding agents, must file an annual return for the preceding calendar year on Form 1042. The withholding agent must

transmit with Form 1042 the information called for on Form 1042-S.

File Form 1042 even if you file Form 1042-S on magnetic media or electronically.

Also, file Form 1042 if you pay gross investment income to foreign private foundations that are subject to the tax under section 4948(a).

You must file Form 1042 whether or not any tax was withheld or was required to be withheld if you are required to file Form 1042-S.

Who Is a Withholding Agent

Any person required to withhold the tax is a withholding agent. A withholding agent may be an individual, trust, estate, partnership, corporation, government agency, association, or tax-exempt foundation, whether domestic or foreign.

If you are a nominee, representative, fiduciary, or partnership in Canada and you receive dividends from sources in the United States for the account of any person who is not entitled to the reduced rate granted under the tax treaty between the United States and Canada, you are a withholding agent and you must withhold the additional tax due on the income. Send the additional U.S. tax withheld, in U.S. dollars, with Form 1042 to the Internal Revenue Service Center, Philadelphia, PA 19255, by March 17, 1997.

Where and When To File

File Form 1042 and any paper document Forms 1042-S, along with other required forms and attachments, with the Internal Revenue Service Center, Philadelphia, PA 19255, by March 17, 1997.

Extension of time to file.—If you need more time to file Form 1042, you may file **Form 2758**, Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns. However, Form 2758 does not extend the time for payment of tax.

Additional Information

For details on withholding of tax, see **Pub. 515**, Withholding of Tax on Nonresident Aliens and Foreign Corporations. To order this publication and other publications and forms, call 1-800-TAX-FORM (1-800-829-3676).

Income Tax Withholding on Wages, Pensions, Annuities, and Certain Other Deferred Income

Use **Form 941**, Employer’s Quarterly Federal Tax Return, to report income tax withheld under section 3402 from wages paid to a nonresident alien employee. Use **Form 945**, Annual Return of Withheld Federal Income Tax, to report income tax withheld under section 3405 from pensions, annuities, and certain other deferred income paid to a nonresident alien individual. However, if the recipient has elected under section 3405(a)(2) or (b)(2) not to have withholding under section

3405, such payments are subject to withholding under section 1441 and the tax withheld must be reported using Forms 1042 and 1042-S. Use **Schedule H (Form 1040)**, Household Employment Taxes, to report social security and Medicare taxes, and any income tax withheld, on wages paid to a nonresident alien household employee. For more information, see the instructions for these forms.

Deposit Requirements

Generally, you must deposit the tax withheld and required to be shown on Form 1042 with an authorized financial institution or a Federal Reserve bank or branch using a Federal Tax Deposit Coupon (**Form 8109**) from the coupon book that the IRS sent you. Do not use anyone else’s coupons. If you do not have your coupons when a deposit is due, contact your IRS district office. To avoid a penalty, do not mail your deposits directly to the IRS. The following rules explain how often you must make deposits.

Note: If you are requesting an extension of time to file using Form 2758, follow these rules to see if you must make a deposit of any balance due or if you can pay it with Form 2758.

1. If at the end of any quarter-monthly period the total amount of undeposited taxes is \$2,000 or more, you must deposit the taxes within 3 banking days after the end of the quarter-monthly period. (A quarter-monthly period ends on the 7th, 15th, 22nd, and last day of the month.) To determine banking days, do not count any local holidays observed by authorized financial institutions, as well as Saturdays, Sundays, and legal holidays. The deposit rules are considered met if: (a) you deposit at least 90% of the actual tax liability for the deposit period, and (b) if the quarter-monthly period is in a month other than December, you deposit any underpayment with your first deposit that is required to be made after the 15th day of the following month. Any underpayment of \$200 or more for a quarter-monthly period ending in December must be deposited by January 31.

2. If at the end of any month the total amount of undeposited taxes is \$200 or more but less than \$2,000, you must deposit the taxes by the 15th day of the following month.

Exception to Rule 2. If you made a deposit of \$2,000 or more during the month (except December) under Rule 1 above, carry over any balance of less than \$2,000 to the next month. If you made a deposit of \$2,000 or more during December, any balance of less than \$2,000 should be paid directly to the IRS along with your Form 1042 by March 17, 1997.

3. If at the end of the year the total amount of undeposited taxes is less than \$200, you may either pay the taxes directly to the IRS along with your Form 1042 or deposit them by March 17, 1997.

If you are requesting an extension of time to file using Form 2758, you can either pay the taxes directly to the IRS with Form 2758, or deposit them by March 17, 1997.

Completing Form 8109, Federal Tax Deposit Coupon.—In most cases, you will fill out a deposit coupon following the instructions in the coupon book.

However, if a deposit liability arises from a distribution reportable on Form 1042 for the prior year, darken the 4th quarter box on Form 8109. If the distribution is reportable for the current year, darken the 1st quarter box. In all cases, follow the coupon book instructions for completing the rest of the deposit coupon.

Deposits made by foreign corporations.— Fill in a preprinted Federal Tax Deposit Coupon showing the "Amount of Deposit" in U.S. dollars. Mail the completed coupon with a bank draft in U.S. dollars to:

Federal Reserve Bank of Philadelphia
Attn: Treasury Tax and Loan Unit
P.O. Box 66
Philadelphia, PA 19105 USA

Electronic deposit requirement.—If your total deposits of social security, Medicare, and withheld income taxes were more than \$50,000 in 1995, you must make electronic deposits for all depository tax liabilities that occur after June 30, 1997. If you were required to deposit by electronic funds transfer in prior years, continue to do so in 1997. The **Electronic Federal Tax Payment System (EFTPS)** must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. For information on EFTPS, call 1-800-945-8400 or 1-800-555-4477. (These numbers are for EFTPS information only.)

Interest and Penalties

If you file Form 1042 late, or fail to pay or deposit the tax when due, you may be liable for penalties and interest unless you can show that failure to file or pay was due to reasonable cause and not willful neglect.

1. Interest. Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, and substantial understatements of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

2. Late filing of Form 1042. The penalty for not filing Form 1042 when due (including extensions) is usually 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax.

3. Late payment of tax. The penalty for not paying tax when due is usually ½ of 1% of the unpaid tax, for each month or part of a month the tax is unpaid. The penalty cannot exceed 25% of the unpaid tax.

4. Failure to deposit tax when due. The penalty for failure to deposit tax when due

is 2% for deposits not more than 5 days late, 5% for deposits more than 5 days late but not more than 15 days late, and 10% for deposits more than 15 days late. The penalty is increased to 15% if the tax is not deposited within 10 days after the date of the first delinquency notice sent to the taxpayer.

5. Other penalties. There are also penalties that can be imposed for negligence, substantial understatement of tax, and fraud. See sections 6662 and 6663.

Specific Instructions

Note: *You must make required Federal Tax Deposits (FTDs) and file only one Form 1042 (consolidating all Form 1042-S recipient information), using your name, address, and employer identification number (EIN), regardless of the number of different clients, branches, divisions, or types of income for which you are the withholding agent.*

Address.—Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

Line 61.—The amount on line 61 must equal the sum of the monthly totals as listed on the Record of Federal Tax Liability. No adjustments can be made on this line. Adjustments can only be made on the appropriate Tax Liability column of the Record of Federal Tax Liability.

Line 63.—The amount on line 63a should equal the sum of all Forms 1042-S, line 3, column (b), plus the amount shown on **Forms 1000**, Ownership Certificate. If during 1996 you withheld more tax than required, you may release it to the recipient any time before you file Form 1042 for the year. In this case, enter in column (g) of Form 1042-S the tax withheld less any tax released. The amount on line 63b should equal the sum of all Forms 1042-S, line 3, column (g), plus the tax assumed from Forms 1000. If it does not, attach a statement explaining the difference.

To determine tax withheld on remuneration for labor or personal services that a nonresident alien performs in the United States, a deduction for personal exemptions, to the extent permitted by section 873(b)(3), is allowed. Attach a statement explaining the amount of compensation for labor or personal services in the United States and the amount of exemptions permitted. For more information, see Pub. 515.

Lines 68 and 69.—You may claim an overpayment shown on line 68 as a refund or a credit. Check the applicable box on line 69 to show which you are claiming. If you claim a credit, it can reduce your required deposits of withheld tax for 1997.

Caution: *Be sure to reconcile amounts on Form 1042 with amounts on Forms 1042-S (including magnetic media files), to avoid unnecessary correspondence with the IRS.*

Forms You Must Send With Form 1042

Send Copy A of all paper document Forms 1042-S when you file Form 1042 even if income is exempt from tax withholding. Also, see **Magnetic Media/Electronic Reporting** in the Instructions for Form 1042-S.

Attach to Form 1042 a copy of each **Form 8233**, Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual, you received. Also attach copies of any **Forms W-8**, Certificate of Foreign Status, or substitute statements received from beneficial owners of interest on registered obligations not targeted to foreign markets.

Note: *Every person required to deduct and withhold any tax under Chapter 3 of the Code is liable for such tax. See section 1461.*

Amended Return

If you must make changes to your Form 1042 after you mail your return, file an amended Form 1042 to change the return already filed. Use a Form 1042 for the year you are amending, and (for 1996) check the "Amended Return" box at the top of the form. Be sure to complete the entire Form 1042; include all the filing information for the calendar year and sign the return. Attach a statement explaining why you are filing an amended return. For example, you are filing because the tax liability for May was incorrectly reported on Form 1042 due to a mathematical error.

If you are also amending Form(s) 1042-S, see **Correcting Paper Forms 1042-S** in the Form 1042-S instructions.

Do not amend Form 1042 to recover overwithheld taxes in the prior year. For more information, see **Adjustment for Overwithholding** in Pub. 515.

Transmittal for corrected paper Forms 1042-S.—If you are amending Forms 1042-S and the corrections do not change the information previously reported on Form 1042, use a Form 1042 as a transmittal to file the "void" and "corrected" Forms 1042-S. To do this, write "TRANSMITTAL" at the top of Form 1042, enter your name, address and taxpayer identification number, and enter on line 62b the total number of "void" and "corrected" Forms 1042-S that you are submitting. Do not check the Amended Return box on the 1996 Form 1042.

Do not use Form 1042 as a "transmittal" when the changes made to the Forms 1042-S also change the information previously reported on Form 1042. Instead, file an amended Form 1042 along with the "void" and "corrected" Forms 1042-S.

Where to file amended Forms 1042 and 1042-S.—File amended and transmittal returns with the Internal Revenue Service Center, Philadelphia, PA 19255.

