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Forms 1042 and 1042S Compliance



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F1042-S/F1042 Compliance (WIIC)

Agenda

- Form 1042-S Reporting obligations of a Withholding Agent (WA) under Chapters 3 and 4 of the code
 - Most Common Errors
 - How and Where to Report Different Withholding Scenarios
 - What's new for Tax Year 2017
 - How to file an Amended F1042-S
- Form 1042 Reporting obligations of a WA under Chapter 3 & 4 of the code.
 - Most Common Errors
 - F1042-S/F1042 Crosswalk
 - What's new for Tax Year 2017



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Objective:

After this presentation, you will be able to:

- Define the Reporting obligations of a WA under Chapter 3 & 4 of the code for F1042-S and F1042
- List the most Common Errors for F1042-S and F1042
- List the changes to F1042-S and F1042 for Tax Year 2017
- Accurately file an Amended F1042-S
- Apply How and Where to Report Different Withholding Scenarios for F1042-S Boxes 7, 8, 9, 10 and 11.
- Associate the pertinent Boxes of F1042-S and where those amounts are reported on F1042 (Crosswalk)



F1042-S

Withholding Agent

- Under Chapter 3
 - FDAP Income – sourced within the U.S.
 - Subject to U.S. tax of 30% - unless a tax treaty exists between foreign person's country of residence and the United States, or the rate is otherwise reduced under the Code.



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F1042-S

Withholding Agent

- Under Chapter 4
 - FATCA Withholding
 - WA withholds 30% on:
 - Payments to FFI's that are nonparticipating
 - Presumption rules apply where you cannot reliably associate the payment with valid documentation
 - Payments to certain Non-Financial Foreign Entities (NFFEs) that do not provide information regarding their substantial U.S. owners



F1042-S

Withholding Agent

- Reporting Obligations
 - Forms 1042-S are required for each recipient of income subject to Chapter 3 and 4 withholding
 - A separate F1042-S is required for each type of income paid to the recipient
 - A separate F1042-S is required for each Chapter 3 and Chapter 4 Withholding Rate Pool
 - For Pooled Reporting, you must enter “Withholding Rate Pool” in the Recipient Name Line box



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F1042-S

Withholding Agent

- Filing Requirements
 - IRC Section 6011(e)(2)(A) – Filers are required to electronically file when they are filing 250 or more Forms 1042-S
 - All filers are encouraged to electronically file regardless of the number of Form(s) 1042-S submitted
 - Financial Institution's (FI's) must always electronically file Forms 1042-S to report payments made under Chapter 3 and 4



F1042-S

Withholding Agent

- Data must match exactly on all copies of F1042-S
 - Exact reporting of the recipient's name
 - All information on each copy must match exactly
- Substitute Form 1042-S
 - Starting with calendar year 2016, all five copies must be in the same physical format
 - Size, shape and format must adhere to rules of Publication 1179



Common Errors – F1042-S

- Reporting Joint Owners
 - Owner’s name whose status the WA relied upon to determine withholding tax rate reported in box 13a (the owner subject to the higher rate of withholding)
 - If separate F1042-S are requested, allocate the payment and tax withheld among the joint owners; the total amount of payment and tax withheld reported on the F1042-S should not exceed the total amount of the payment made and tax withheld on the joint account



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Common Errors – F1042-S

- Recipient's name on F1042-S copies
 - Reported exactly as it appears on the official documentation provided to WA on all copies A through E
- Using prior year F1042-S
 - WA's ensure the current year F1042-S is used/filed with the IRS
- Amended Box
 - Amended F1042-S required to be provided to IRS and recipient



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Common Errors – F1042-S

- Truncating Identification Number
 - WA's may truncate SSN, ITIN or EIN only on the Recipient copy of F1042-S (copies B, C and D)
 - Only last 4 digits of identification number must be displayed
 - Remaining digits must be replaced with either (*) or (X)
 - SSN/ITIN truncation format = XXX-XX-nnnn
 - EIN truncation format = XX-XXXnnnn



Common Errors – F1042-S

- Dollar Amounts reported – round numbers to nearest dollar
- Tax Rates reported
 - Must be exactly the same on all copies A through E
- Chapter 3 and Chapter 4 notation
 - Must enter “3” or “4” as the chapter indicator
- Escrow notation – if applicable
 - Must be checked on all copies A through E
 - Should only be checked in limited situations:
 - A withholding agent that withheld tax during calendar year 2017 and that was not required to deposit with the IRS the tax withheld during calendar year 2017 pursuant to the escrow procedure under Regulations sections 1.1471-2(a)(5)(ii) and/or 1.1441-3(d) must check box 7b “Check if tax not deposited with IRS pursuant to escrow procedure.” A withholding agent reporting payments pursuant to the escrow procedure must report such payments on separate Forms 1042-S. Box 7b must only be checked when using the escrow procedures as specified above



How and Where to Report Different Withholding Scenarios – Federal Tax Withheld

- Box 7a – Federal tax withheld
- Enter the amount of Federal Tax Withheld during the calendar year that you actually withheld from the Recipient
 - Includes Federal Tax Withheld that is required to be deposited to the IRS
 - Or tax withheld pursuant to the escrow procedure under Regulations sections 1.1471-2(a)(5)(ii) and/or 1.1441-3(d)



How and Where to Report Different Withholding Scenarios –

Withholding by Other Agents

- A Primary Withholding Agent is a WA that has primary withholding responsibility for all payments
- An intermediary or flow through entity is an entity that receives a payment on behalf of its account holders, partners, owners or beneficiaries.
- An intermediary or flow through entity may have withholding requirements if
 - i. it has assumed primary withholding responsibility pursuant to an agreement with the IRS (a QI, WP, or WT), or
 - ii. it has failed to provide proper documentation to the primary withholding agent or knows or has reason to know that the primary withholding agent has not withheld or reported properly.

U.S. WA pays NQI:

- U.S. WA is the Primary WA
- Refer to Slide 14 for reporting

NQI withholds on Account Holders:

- Refer to Slide 15 for reporting



How and Where to Report Different Withholding Scenarios – Primary Withholding Agents Reporting

- A primary withholding agent making a payment to an intermediary or flow-through entity will generally report the entity receiving the payment in Box 15a through 15i and report the ultimate account holder, partner, owner, or beneficiary as the recipient.
- In such a case, the primary withholding agent must:
 - Enter the Intermediary’s EIN in Box 15a
 - And enter the Intermediary’s Name in Box 15d
 - And complete as much as possible in Box 15b, 15c, 15e, 15f, 15g, 15h, and 15i
 - Report all withholding you actually withheld in Box 7a
- If you are making a payment to a QI, withholding foreign partnership (WP), or withholding foreign trust (WT) that assumes withholding, you should report them as the recipient and the chapter 3 status code should be 09 (WP), 11 (WT), or QI (12).



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How and Where to Report Different Withholding Scenarios –

Intermediaries/Flow-through Entities Reporting

(Only if you have a reporting or residual withholding obligation)

- Box 8 – Tax Withheld by Other Agents
- This box should only be used if you are an Intermediary receiving a payment on behalf of your account holders or a flow-through entity receiving payment on behalf of your partners, owners, or beneficiaries
 - And in your capacity as the Intermediary or flow-through entity, you are reporting income that has already been withheld upon by another withholding agent
 - Or if the payment is a substitute dividend, report any credit forward of prior withholding as determined under Notice 2010-46
- Box 14a and 14b, Primary Withholding Agent Name and EIN, must be completed when entering an amount in Box 8
 - If multiple withholding agents withheld amounts reported on the same Form 1042-S, report the name and EIN of any one of the withholding agents



How and Where to Report Different Withholding Scenarios –

Tax Paid by WA

- Box 9 – Tax Paid by withholding agent
- Only include in this box taxes that were paid by the WA using their own funds and were not withheld from amount paid to recipient
 - Do not include any amount on this box that was withheld from amounts paid to recipient
 - Do not include any amount reported in this box in Box 7a or Box 8
 - Do not report the amount of income paid to the Recipient in Box 9. This box is for taxes paid by the WA.



How and Where to Report Different Withholding Scenarios – Total Withholding Credit

- Box 10 – Total withholding credit
- Enter the total Federal Tax Withheld plus any Tax Withheld by Other Agents.
- Box 7a plus Box 8
 - Do not include Box 9.



How and Where to Report Different Withholding Scenarios – Reimbursement/Set off Procedures

- What is the Reimbursement Procedure?
 - A procedure to adjust over withholding in which the withholding agent repays the recipient and then reimburses itself by reducing a future deposit of withheld tax.
- What is the Set off Procedure?
 - A procedure to adjust over withholding in which the withholding agent repays the recipient by reducing withholding on a later payment to the same recipient.

NOTE: You may use any un-deposited amount of tax to make any necessary adjustments between you and the recipient of the income before you make the deposit.

- If the un-deposited amount is enough to make adjustments, you will not use either the reimbursement or the set-off procedure to adjust the over-withholding. Refer to the F1042 instructions, Adjustments for Over-withholding. Refer to Slide 21 for reporting if this condition exists.



How and Where to Report Different Withholding Scenarios – Amount repaid to recipient

- Enter the amount of taxes you repaid the Recipient in Box 11 under the Reimbursement or Set off procedures only if:
 - You have not filed Forms 1042-S with the IRS, and
 - You discovered and repaid the over-withholding to the Recipient in the following calendar year between
 - January 1st
 - and the earlier of:
 - Date of filing
 - or March 15th (due date of Forms 1042-S. Extensions are not included.)



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How and Where to Report Different Withholding Scenarios –

Amount repaid to recipient cont.

Do not record an amount in Box 11. Instead, reduce Box 7a and repay the recipient if one of the following conditions exists:

1. You discovered and repaid the over-withholding to the Recipient in the same calendar year before filing with the IRS

OR

2. You can use any un-deposited amount of tax to make any necessary adjustments between you and the recipient of the income before you make the deposit

AND

You discovered and repaid the over-withholding to the Recipient in the following calendar year between:

- » January 1st
- » and the earlier of
 - Date of filing
 - or March 15th (due date of Forms 1042-S. Extensions are not included)



How and Where to Report Different Withholding Scenarios – Amount repaid to recipient cont.

- If you have already filed with the IRS or it is on or after March 16th of the following calendar year:
 - Do not repay the recipient
 - Do not reduce Box 7a
 - Do not record an amount in Box 11
- The recipient must obtain the refund from the IRS for any over withheld amounts.
 - Exception:
 - If you are a QI, WP, WT, participating FFI, or reporting Model 1 FFI making a claim for a collective refund under your respective agreement with the IRS, refer to your agreement



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What is new for Tax Year 2017

F1042-S

- Unique Form Identifier (UFI)
- Amendment Number Indicator
- Pro-Rata Reporting
- Foreign taxpayer identifying number and date of birth



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Unique Form Identifier (UFI)

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding **2017** OMB No. 1545-0096
 Department of the Treasury Internal Revenue Service
 Information about Form 1042-S and its separate instructions is at www.irs.gov/Form1042s.
 UNIQUE FORM IDENTIFIER [] AMENDED [] AMENDMENT NO. []
Copy A for Internal Revenue Service

1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4"	13e Recipient's U.S. TIN, if any	13f Ch. 3 status code
3a Exemption code	4a Exemption code	3b Tax rate	4b Tax rate	13g Ch. 4 status code
5 Withholding allowance		7b Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>		13h Recipient's GIIN
6 Net income	7a Federal tax withheld	8 Tax withheld by other agents		13i Recipient's foreign tax identification number, if any
9 Tax paid by withholding agent	10 Total withholding credit		13j LOB code number, if any	
11 Amount repaid to recipient	12a Withholding agent's EIN		12b Ch. 3 status code	12c Ch. 4 status code
12d Withholding agent's name		12e Withholding agent's Global Intermediary Identification Number (GIIN)		
12f Country code	12g Foreign taxpayer identification number, if any			
12h Address (number and street)		12i City or town, state or province, country, ZIP or foreign postal code		
13a Recipient's name		13b Recipient's country code		
13c Address (number and street)		13d Recipient's date of birth		
14a Primary Withholding Agent's Name (if applicable)				
14b Primary Withholding Agent's EIN		15 Check if pro-rata basis reporting <input type="checkbox"/>		
15a Intermediary or flow-through entity's EIN, if any		15b Ch. 3 status code	15c Ch. 4 status code	
15d Intermediary or flow-through entity's name				
15e Intermediary or flow-through entity's GIIN				
15f Country code	15g Foreign tax identification number, if any			
15h Address (number and street)		15i City or town, state or province, country, ZIP or foreign postal code		
16a Payer's name		16b Payer's TIN		
16c Payer's GIIN		16d Ch. 3 status code	16e Ch. 4 status code	

<https://www.irs.gov/uac/newsroom/irs-clarifies-form-1042-s-requirements-for-withholding-agents-outlines-common-errors>
<https://www.irs.gov/pub/irs-pdf/i1042s.pdf>



UFI

- Mandatory for calendar year 2017
- Must be numeric, exactly 10 digits and may not be the recipient's U.S. or foreign TIN
- WA must assign a UFI number to each original F1042-S that is filed

<https://www.irs.gov/uac/newsroom/irs-clarifies-form-1042-s-requirements-for-withholding-agents-outlines-common-errors>
<https://www.irs.gov/pub/irs-pdf/i1042s.pdf>



UFI

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

- Recipient A reporting service payments - UFI: 5243189732
- Recipient A reporting royalty payments - UFI: 7294834921
- Recipient B reporting service payments - UFI: 8295614238
- Recipient C reporting service payments - UFI: 3476598125
- Recipient C reporting interest payments - UFI: 6983754171

Note: Recipient A received two Form 1042-S from this WA. Each must have a different UFI.



UFI

- If ABC Corp. amends the Form 1042-S issued to Recipient B for the first time, it would indicate the UFI to be: 8295614238 and indicate Amended #1.
- If ABC Corp. has to amend that amended again, it would indicate the same UFI: 8295614238 and indicate Amended #2.



Amendment Indicator Number

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding **2017** OMB No. 1545-0096

Department of the Treasury Internal Revenue Service

Information about Form 1042-S and its separate instructions is at www.irs.gov/pub/irs-soi/171042s.

UNIQUE FORM IDENTIFIER AMENDED AMENDMENT NO. **Copy A** for Internal Revenue Service

1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4"	3a Exemption code	4a Exemption code	3b Tax rate	4b Tax rate	13e Recipient's U.S. TIN, if any	13f Ch. 3 status code
5 Withholding allowance	6 Net income	7a Federal tax withheld	7b Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>		8 Tax withheld by other agents	9 Tax paid by withholding agent	10 Total withholding credit	11 Amount repaid to recipient
12a Withholding agent's EIN	12b Ch. 3 status code	12c Ch. 4 status code		12d Withholding agent's name	12e Withholding agent's Global Intermediary Identification Number (GIIN)			12f Country code
12g Foreign taxpayer identification number, if any		12h Address (number and street)		12i City or town, state or province, country, ZIP or foreign postal code				13a Recipient's name
13b Recipient's country code		13c Address (number and street)		13d Recipient's GIIN		13e Recipient's foreign tax identification number, if any		13f LOB code number, if any
13g Ch. 3 status code		13h Recipient's GIIN		13i Recipient's date of birth		13j Recipient's account number		13k Recipient's date of birth
14a Primary Withholding Agent's Name (if applicable)		14b Primary Withholding Agent's EIN		14c Check if pro-rata basis reporting <input type="checkbox"/>		15a Intermediary or flow-through entity's EIN, if any		15b Ch. 3 status code
15c Ch. 4 status code		15d Intermediary or flow-through entity's name		15e Intermediary or flow-through entity's GIIN		15f Country code		15g Foreign tax identification number, if any
15h Address (number and street)		15i City or town, state or province, country, ZIP or foreign postal code		16a Payer's name		16b Payer's TIN		16c Payer's GIIN
16d Ch. 3 status code		16e Ch. 4 status code		16f Ch. 3 status code		16g Ch. 4 status code		16h Ch. 4 status code



Pro-Rata Reporting Location change on F1042-S

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding **2017** OMB No. 1545-0096
 Department of the Treasury Internal Revenue Service
 Information about Form 1042-S and its separate instructions is at www.irs.gov/form1042s.
 Copy A for Internal Revenue Service

1 Income code		2 Gross income		3 Chapter indicator. Enter "3" or "4"		13e Recipient's U.S. TIN, if any		13f Ch. 3 status code	
3a Exemption code		4a Exemption code		3b Tax rate		4b Tax rate		13g Ch. 4 status code	
5 Withholding allowance		6 Net income		7a Federal tax withheld		7b Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>		13h Recipient's GIIN	
8 Tax withheld by other agents		9 Tax paid by withholding agent		10 Total withholding credit		11 Amount repaid to recipient		13i Recipient's foreign tax identification number, if any	
12a Withholding agent's EIN		12b Ch. 3 status code		12c Ch. 4 status code		13k Recipient's account number		13j LOB code number, if any	
12d Withholding agent's name		12e Withholding agent's Global Intermediary Identification Number (GIIN)		12f Country code		12g Foreign taxpayer identification number, if any		13l Recipient's date of birth	
12h Address (number and street)		12i City or town, state or province, country, ZIP or foreign postal code		13a Recipient's name		13b Recipient's country code		14a Primary Withholding Agent's Name (if applicable)	
13c Address (number and street)		13d City or town, state or province, country, ZIP or foreign postal code		14b Primary Withholding Agent's EIN		15 Check if pro-rata basis reporting <input type="checkbox"/>		14c Primary Withholding Agent's Name (if applicable)	
16a Payer's name		16b Payer's TIN		16c Payer's GIIN		16d Ch. 3 status code		16e Ch. 4 status code	



Foreign taxpayer identifying number and date of birth

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding **2017** OMB No. 1545-0096
 Department of the Treasury Internal Revenue Service
 Information about Form 1042-S and its separate instructions is at www.irs.gov/form1042
 UNIQUE FORM IDENTIFIER AMENDED AMENDMENT NO. Copy A for Internal Revenue Service

1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4"	3a Exemption code	4a Exemption code	13e Recipient's U.S. TIN, if any	13f Ch. 3 status code
		3b Tax rate	4b Tax rate		13h Recipient's GIIN	13g Ch. 4 status code
5 Withholding allowance				7b Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>	13i Recipient's foreign tax identification number, if any	13j LOB code
6 Net income				13k Recipient's account number		13l Recipient's date of birth
7a Federal tax withheld				14a Primary Withholding Agent's Name (if applicable)		
8 Tax withheld by other agents				14b Primary Withholding Agent's EIN		
9 Tax paid by withholding agent				15 Check if pro-rata basis reporting <input type="checkbox"/>		
10 Total withholding credit				15a Intermediary or flow-through entity's EIN, if any		
11 Amount repaid to recipient				15b Ch. 3 status code		
12a Withholding agent's EIN		12b Ch. 3 status code		15c Ch. 4 status code		
12d Withholding agent's name				15d Intermediary or flow-through entity's name		
12e Withholding agent's Global Intermediary Identification Number (GIIN)				15e Intermediary or flow-through entity's GIIN		
12f Country code		12g Foreign taxpayer identification number, if any				
12h Address (number and street)		15f Country code				
12i City or town, state or province, country, ZIP or foreign postal code		15g Foreign tax identification number, if any				
13a Recipient's name		13b Recipient's country code		15h Address (number and street)		
13c Address (number and street)		16a Payer's name		16b Payer's TIN		
		16c Payer's GIIN		16d Ch. 3 status code		
				16e Ch. 4 status code		



Amending a F1042-S

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding **2017** OMB No. 1545-0096
 Department of the Treasury Internal Revenue Service
 Information about Form 1042-S and its separate instructions is at www.irs.gov/7042s.
 Copy A for Internal Revenue Service
 UNIQUE FORM IDENTIFIER: [] AMENDED: [] AMENDMENT NO. []

1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4"	4a Exemption code	4b Tax rate	13e Recipient's U.S. TIN, if any	13f Ch. 3 status code	13g Ch. 4 status code
5 Withholding allowance				6 Net income	7a Federal tax withheld	7b Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>	13h Recipient's GIIN
8 Tax withheld by other agents				9 Tax paid by withholding agent		10 Total withholding credit	
11 Amount repaid to recipient				12a Withholding agent's EIN	12b Ch. 3 status code	12c Ch. 4 status code	13i Recipient's foreign tax identification number, if any
12d Withholding agent's name				12e Withholding agent's Global Intermediary Identification Number (GIIN)			
12f Country code	12g Foreign taxpayer identification number, if any			13k Recipient's account number		13j Recipient's date of birth	
12h Address (number and street)				12i City or town, state or province, country, ZIP or foreign postal code			
13a Recipient's name				13b Recipient's country code		14a Primary Withholding Agent's Name (if applicable)	
13c Address (number and street)				13d Recipient's country code		14b Primary Withholding Agent's EIN	
13e Recipient's U.S. TIN, if any				13f Ch. 3 status code		15 Check if pro-rata basis reporting <input type="checkbox"/>	
13g Ch. 4 status code				13h Recipient's GIIN		15a Intermediary or flow-through entity's EIN, if any	
13i Recipient's foreign tax identification number, if any				13j Recipient's date of birth		15b Ch. 3 status code	
13k Recipient's account number				13l Recipient's date of birth		15c Ch. 4 status code	
13m Recipient's foreign tax identification number, if any				13n Recipient's date of birth		15d Intermediary or flow-through entity's name	
13o Recipient's date of birth				13p Recipient's date of birth		15e Intermediary or flow-through entity's GIIN	
13q Recipient's date of birth				13r Recipient's date of birth		15f Country code	
13s Recipient's date of birth				13t Recipient's date of birth		15g Foreign tax identification number, if any	
13u Recipient's date of birth				13v Recipient's date of birth		15h Address (number and street)	
13w Recipient's date of birth				13x Recipient's date of birth		15i City or town, state or province, country, ZIP or foreign postal code	
13y Recipient's date of birth				13z Recipient's date of birth		16a Payer's name	
13aa Recipient's date of birth				13ab Recipient's date of birth		16b Payer's TIN	
13ac Recipient's date of birth				13ad Recipient's date of birth		16c Payer's GIIN	
13ae Recipient's date of birth				13af Recipient's date of birth		16d Ch. 3 status code	
13ag Recipient's date of birth				13ah Recipient's date of birth		16e Ch. 4 status code	

Ex. if a withholding agent files with the IRS a Form 1042-S with an incorrect recipient name, it must file with the IRS an amended Form 1042-S to amend the original filing. The amended form should be filed with the IRS with the recipient name that was originally reported (the incorrect name) and with zeros reported in all dollar fields. This will remove the amount reported using the incorrect recipient name. The withholding agent should then file an original Form 1042-S using the correct recipient name and information (if one has not been filed previously).



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Amending a F1042-S

- Amended F1042-S must be filed with IRS and copies of amended F1042-S must be furnished to recipient
- Amended form must have same UFI as the original being amended
- Each time that you amend the same form (as determined by the UFI) – you must provide the amendment number starting with “1” and increasing sequentially
- Amended Paper F1042-S must be filed with F1042-T



F1042

Withholding Agent

- WA requirements/obligations
 - WA's are personally liable for any tax required to be withheld
 - If the source of income or amount subject to tax depends on facts that are not known at the time of payment you must withhold an amount sufficient to ensure at least 30% of the amount subsequently determined to be subject to withholding is withheld
 - Ensure you use the form for the current year and follow all Instructions

<https://www.irs.gov/uac/about-form-1042>

<https://taxmap.ntis.gov/taxmap/pubs/p515-000.htm#TXMP6689c598>

<https://www.irs.gov/individuals/international-taxpayers/withholding-agent>



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F1042

Withholding Agent

- Line 63c – Adjustments to withholding
 - Line 63c(1) – Adjustments to over withholding
 - This amount represents the total figure for Box 11 reported on all Forms 1042-S
 - Report the amounts repaid to the Recipient based on Reimbursement or Set off procedures on this line
- ✓ Refer to Slides 19 through 22 for the definition of Reimbursement and Set off Procedures and what should be included in Box 11 of the F1042-S



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F1042

Withholding Agent

- Line 63c(2) – Adjustments to under withholding
 - In certain cases, WA's may withhold in the year following the calendar year in which the payment is made. In such cases, the withholding done in the subsequent year should be reported on Line 63c(2).
- Enter the amounts that you withheld in the year following the calendar year of under-withholding from:
 - Future payments made to a beneficial owner
 - Or from other property or additional contributions that you hold in custody or otherwise control
- Amounts reported on line 63c(2) should be limited to amounts withheld in the year following the calendar year of under-withholding (before the date that the Form 1042 is required to be filed without extensions).
- Reduce Line 63a by this amount



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F1042

Withholding Agent

- New Line 65a – Tax Paid during calendar year
- New Line 65b – Tax Paid during subsequent year
 - Report deposits of tax withheld in the year following the calendar year in which the related payment was made
- Reconciliation of U.S. source FDAP income – Mandatory
 - Reconcile U.S. source FDAP reportable under chapter 4 with all Forms 1042-S (both 3 and 4) paid for the calendar year



Common Errors – F1042

- Reporting amounts withheld and/or deposited with the IRS on Lines 1-60 of Form 1042 instead of reporting the tax liability
 - Lines 1-60 must show Record Of Federal Tax Liability (ROFTL), indicating the amount of the tax liability and the date when the liability was encountered
 - Sum of monthly liability totals (Lines 1-60) should match the amount of liability on Lines 64b, 64c, and 64d.



Common Errors – F1042

- Record Of Federal Tax Liability (ROFTL)
 - Lines 1-60 indicates when the ROFTL was encountered
 - Lines 63a through 63d indicates the actual withholding scenario that was reported on Forms 1042-S
 - This section references and breaks out the withholding based on Boxes 7a through 11 on the F1042-S
 - Lines 64b through 64d breaks down the ROFTL by Ch 3 withholding, Ch 4 withholding, or Specified Federal Procurement Payments
 - Line 64a is required if you are making an adjustment to the total net tax liability
 - A common example is when a corporation estimates the extent to which a distribution is made from Earnings and Profit (as permitted under the 1441 regulations), and then needs to adjust its estimated liability in the subsequent year. Refer to F1042 instructions.



Common Errors – F1042

- Missing Withholding Agent's Chapter 4 status
 - Status codes required in all cases regardless of the types of payments reported on the Form
- Failure to report net tax liability (Lines 64b-64e)
 - WAs required to designate the tax liability as liability under Chapter 3 on line 64b, Chapter 4 on line 64c, Excise tax on line 64d, and the net tax liability on line 64e
- Failing to complete Section 2 – Section 2 is Mandatory



F1042-S/F1042 Crosswalk

Forms 1042-S Box (Excludes liabilities held in Escrow)	Reported on Form 1042 Line	Comments
Box 2 multiplied by the applicable tax rate (Box 3b or 4b)	Lines 1-60	This is your Report of Federal Tax Liability (ROFTL)
Box 7a	Line 63a	
Box 8	Line 63b (1 and 2)	- 63b(1) Payments other than substitute dividends - 63b(2) For substitute dividends
Box 11	Line 63c(1)	- Reduce the liability on Line 59 by this amount.
*Box 7a	Line 63c(2)	- Reduce Line 63a by this amount.
Box 9	Line 63d	
Box 7a, 8, 9, and 11	Line 63e	- This is the summation of the withholding reported on Line 63a through 63d. - These lines (63a through 63d) should equal the amounts reported on all Forms 1042-S.



F1042-S/F1042 Crosswalk Cont.

Forms 1042-S Box (Excludes liabilities held in Escrow)	Reported on Form 1042 Line	Comments
-----	Line 64a	**Refer to slide 38
-----	Line 64b	This is the adjusted ROFTL after all applicable adjustments were made when computing Lines 63a through 63d for Chapter 3 withholding only
-----	Line 64c	This is the adjusted ROFTL after all applicable adjustments were made when computing Lines 63a through 63d for Chapter 4 withholding only
-----	Line 64d	F1000: Excise tax on specified federal procurement payments (Total payments made x 2%)
-----	Line 64e	This is the summation of the withholding reported on Line 64a through 64d. F1042 instructions (if withholding was done properly): Note. The amount on line 64e should also equal the amount reported on line 63e plus any amounts reported on line 64a.



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What is new for Tax Year 2017 F1042

- Form/Instructions – not currently available

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Form 1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	OMB No. 1545-0046	2016					
Department of the Treasury Internal Revenue Service		Information about Form 1042 and its separate instructions is at www.irs.gov/form1042 .						
If this is an amended return, check here <input type="checkbox"/>								
Name of withholding agent		Employer identification number						
Ch. 3 Status Code		Ch. 4 Status Code						
Number, street, and room or suite no. (if a P.O. box, see instructions)		City or town, state or province, country, and ZIP or foreign postal code						
		For IRS Use Only CC FD RD FF CAF FP CR I EDC SIC						
If you do not expect to file this return in the future, check here <input type="checkbox"/> Enter date final income paid <input type="checkbox"/>								
Section 1 Record of Federal Tax Liability (Do not show federal tax deposits here)								
Line No.	Period ending	Yes liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Yes liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Yes liability for period (including any taxes assumed on Form(s) 1000)
1	7		21	7		41	7	
2	Jan. 15		22	May 15		42	Sept. 15	
3	22		23	22		43	22	
4	31		24	31		44	30	
5	Jan. total		25	May total		45	Sept. total	
6	7		26	7		46	7	
7	Feb. 15		27	June 15		47	Oct. 15	
8	22		28	22		48	22	
9	29		29	30		49	31	
10	Feb. total		30	June total		50	Oct. total	
11	7		31	7		51	7	
12	15		32	July 15		52	Nov. 15	
13	22		33	22		53	22	
14	31		34	31		54	30	
15	Mar. total		35	July total		55	Nov. total	
16	7		36	7		56	7	
17	Apr. 15		37	Aug. 15		57	Dec. 15	
18	22		38	22		58	22	
19	30		39	31		59	31	
20	Apr. total		40	Aug. total		60	Dec. total	
61	No. of Forms 1042-S filed: a On paper		b Electronically					
62	Total gross amounts reported on all Forms 1042-S and 1000:							
a	Total U.S. source FDAP income (other than U.S. source substitute payments) reported							62a
b	Total U.S. source substitute payments reported:							
	(1) Total U.S. source substitute dividend payments reported							62b(1)
	(2) Total U.S. source substitute payments reported other than substitute dividend payments							62b(2)
c	Total gross amounts reported (Add lines 62a-b)							62c
d	Enter gross amounts actually paid if different from gross amounts reported							62d
Third Party Designee				Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No				
Designee's name		Phone No.		Personal identification number (PIN)				
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				
Print/Type preparer's name		Preparer's signature		Date		Daytime phone number		
Firm's name		Check <input type="checkbox"/> if self-employed		PTIN				
Firm's address		Firm's EIN		Phone no.				
Paid Preparer Use Only		Firm's address		Phone no.				

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Section 2 Reconciliation of Payments of U.S. Source FDAP Income		
63	Total tax reported as withheld or paid by withholding agent on all Forms 1042-S and 1000:	
a	Tax withheld by withholding agent	63a
b	Tax withheld by other withholding agents:	
(1)	For payments other than substitute dividends	63b(1)
(2)	For substitute dividends	63b(2)
c	Adjustments to withholding:	
(1)	Adjustments to overwithholding	63c(1)
(2)	Adjustments to underwithholding	63c(2)
d	Tax paid by withholding agent	63d
e	Total tax reported as withheld or paid (Add lines 63a-d)	63e
64	Total net tax liability	
a	Adjustments to total net tax liability	64a
b	Total net tax liability under chapter 3	64b
c	Total net tax liability under chapter 4	64c
d	Excise tax on specified federal procurement payments (Total payments made x 2%)	64d
e	Total net tax liability (Add lines 64a-d)	64e
65	Total paid by electronic funds transfer (or with a request for extension of time to file):	
a	Total paid during calendar year	65a
b	Total paid during subsequent year	65b
66	Enter overpayment applied as credit from 2015 Form 1042	66
67	Credit for amounts withheld by other withholding agents:	
a	For payments other than substitute dividend payments	67a
b	For substitute dividend payments	67b
68	Total payments. Add lines 65 through 67	68
69	If line 64e is larger than line 68, enter balance due here	69
70a	Enter overpayment attributable to overwithholding on U.S. source income of foreign persons	70a
b	Enter overpayment attributable to excise tax on specified federal procurement payments	70b
71	Apply overpayment (sum of lines 70a and 70b) to (check one):	
	<input type="checkbox"/> Credit on 2017 Form 1042, or <input type="checkbox"/> Refund	
1	Total U.S. source FDAP income required to be withheld upon under chapter 4	1
2	Total U.S. source FDAP income required to be reported under chapter 4 but not required to be withheld upon under chapter 4 because:	
a	Amount of income paid to recipients whose chapter 4 status established no withholding is required	2a
b	Amount of excluded nonfinancial payments	2b
c	Amount of income paid with respect to grandfathered obligations	2c
d	Amount of income effectively connected with the conduct of a trade or business in the U.S.	2d
e	Amount of excluded payments on offshore obligations	2e
f	Amount of excluded payments on collateral	2f
g	Total U.S. source FDAP income required to be reported under chapter 4 but not required to be withheld upon under chapter 4 (Add lines 2a-f)	2g
3	Total U.S. source FDAP income reportable under chapter 4 (Add lines 1 and 2g)	3
4	Total U.S. source FDAP income reported on all Forms 1042-S (from line 62a, (b)(1), and (b)(2))	4
5	Total variance, subtract line 3 from line 4. If amount other than zero, provide explanation on line 6.	5
6		
Section 3 Notional principal contract payments and other payments on derivative contracts that reference (in whole or in part) a U.S. security		
Check here if any payments (including gross proceeds) were made by the withholding agent under notional principal contracts or other derivatives contracts that reference (in whole or in part) a U.S. security (see instructions) <input type="checkbox"/>		