



Internal Revenue Service

DEPARTMENT OF THE TREASURY

LB&I Concept Unit

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General Overview

Deferred Compensation Received by Nonresident Alien Individuals

Generally, nonresident alien (NRA) individuals are taxed on effectively connected income (ECI) and U.S. source fixed or determinable, annual, or periodic (FDAP) income. ECI is earned from the operation of a U.S. trade or business, including from the performance of personal services in the United States, and is taxed at graduated rates on a net basis. FDAP income such as passive interest, dividends, rents, or royalties, is taxed at a flat 30% rate on a gross basis.

It is common for NRAs who perform personal services in the United States to receive compensation from an employer on a deferred basis. Deferred compensation is an agreement or arrangement under which a portion of compensation is paid out in a taxable year after the taxable year during which the income was earned. Deferred compensation can take many forms, including deferrals of salary or bonus until a subsequent year, tax-qualified retirement plans, “funded” and “unfunded” retirement arrangements, and stock option plans. A deferred compensation arrangement is “funded” when an employer transfers cash or other assets to a trust or pays a premium on an annuity contract for the exclusive benefit of an employee, resulting in a transfer to the employee of a beneficial interest in those assets that is beyond the reach of the employer’s creditors. If, instead, the employee’s interest is available to satisfy claims of the employer’s general unsecured creditors in the event of bankruptcy or insolvency, the arrangement is “unfunded.”

This practice unit discusses payments to NRAs from four types of deferred compensation plans:

- Salary deferral – unfunded deferred compensation plans under which U.S. taxation is deferred until payment is made.
- Distributions from a tax-qualified retirement plan (usually a pension or profit-sharing plan) of a U.S. company.
- Payments made by a U.S. company under an unfunded “top hat” retirement plan for key employees.
- Income arising under an equity-based compensation plan (employee stock option plan or restricted stock plan).

Unless specifically stated, the rules discussed in this practice unit apply to deferred compensation received by NRAs who were treated as employees, not independent contractors, during the period in which the deferred compensation was earned.

General Overview (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals



CAUTION: There may be deferred compensation arrangements other than the types discussed in this unit. Although there are many plans in which both employees and self-employed individuals may participate under the laws of the United States and of foreign countries, this practice unit addresses only a select number of issues that arise when NRAs receive some manner of deferred compensation from a U.S.-based multinational company, or from a tax-qualified retirement plan maintained by a U.S. parent company. For purposes of this unit, it is assumed that the employer is taking steps to ensure that the deferred compensation arrangement complies with the deferred compensation rules of IRC 409A if the plan is “unfunded,” as well as the requirements of IRC 401 if the plan is “funded” and intended to be tax-qualified under U.S. law.

Relevant Key Factors

Deferred Compensation Received by Nonresident Alien Individuals

Key Factors

For deferred compensation received by an NRA to be taxable in the United States, the individual must be or have been engaged in a U.S. trade or business, such as performing personal services in the United States. IRC 864(c)(6) allows the United States to tax deferred compensation received by an NRA as ECI in later years when he or she is no longer engaged in a U.S. trade or business.

When an NRA receives deferred compensation, three questions must be considered:

1. Has the NRA ever performed services in the United States?
 - An NRA is only taxed on deferred compensation to the extent it is compensation from personal services performed in the United States under IRC 861(a)(3). If the NRA did not perform services in the United States, the income is considered foreign-source and likely exempt from U.S. taxation. If the NRA performed services both inside and outside the United States, compensation will be allocated between U.S. and foreign-source on the basis that most correctly reflects the proper source of income under the facts and circumstances of the particular case. Commonly, allocation is done on a time basis between U.S. and non-U.S. workdays in order to determine the portion of income that is U.S. source.
2. Is the NRA a resident of a treaty country?
 - Many tax treaties reduce or eliminate any U.S. tax that would otherwise be imposed under the Code on certain items of income. Therefore, it is critical to determine if the taxpayer is a resident of a treaty country and if so, carefully review the applicable treaty article(s).
3. What are the U.S. withholding tax rules?
 - The withholding tax rules governing the payment of deferred compensation and pensions to NRAs are complex. If the determination of the NRA recipient's liability for U.S. income tax on the payment is not clear, withholding agents may be conservative and withhold in order to avoid potential liability as a withholding agent. If the agent withholds and the NRA's taxable income is lower or exempt from U.S. tax, the NRA will have to file a U.S. Nonresident Alien Income Tax Return and claim a refund for any amount of over withheld tax.

Detailed Explanation of the Concept

Deferred Compensation Received by Nonresident Alien Individuals

This section discusses the source of income rules and the common types of deferred compensation paid to NRA individuals.

Analysis	Resources
<p><u>Source of Income</u></p> <p>The sourcing of income rules are important to determine if the United States can tax deferred compensation. Compensation for personal services is generally sourced to the location where the services are performed. The general sourcing principles for deferred compensation are described below, though the treatment may differ based on several factors (including if the compensation is a distribution from a U.S. tax-qualified defined benefit plan, described in later slides).</p> <ul style="list-style-type: none"> ▪ Compensation for personal services performed by an individual is generally sourced on a time basis. This is usually computed as the number of U.S. and non-U.S. workdays during the calendar year. ▪ Multi-year compensation arrangements are sourced according to U.S. and non-U.S. workdays within the multi-year period. These include arrangements in which an employee is taxed on compensation in one taxable year that is attributable to services performed in more than one taxable year. ▪ Fringe benefits are sourced to the country of the employee’s “principal place of work.” These include employer-provided housing, local transportation, hazardous/hardship duty pay, reimbursements of taxes, dependent tuition, and moving expenses. 	<ul style="list-style-type: none"> ▪ IRC 861(a)(3) ▪ IRC 862(a)(3) ▪ Treas. Reg. 1.861-4(b)(2)(ii)(A) and (E) ▪ Treas. Reg. 1.861-4(b)(2)(ii)(F) ▪ Treas. Reg. 1.861-4(b)(2)(ii)(D)

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals

Analysis

Resources

Voluntary Salary Deferral Arrangements

Under a voluntary nonqualified salary deferral arrangement, an employee elects to defer payment of part of regular salary until a later year. Any interest included with the deferred payment would also generally be classified as deferred compensation. The payment is taxed to the employee in the year it is received provided that the rules of IRC 409A and other relevant code sections are satisfied. Also, taxes under the Federal Insurance Contributions Act (FICA) would apply to the deferred salary at the time of the deferral, assuming the amounts deferred are for covered employment under the FICA rules and there is no substantial risk of forfeiture with respect to the employee's right to receive the amounts in a later calendar year. Taxes under the Federal Unemployment Tax Act (FUTA) also apply at the time of deferral, assuming the amounts are for covered employment under the FUTA rules, and they are not subject to a substantial risk of forfeiture.

In most of these arrangements, the time period for purposes of the sourcing rules under the regulations would be each separate calendar year. Therefore, the deferred compensation attributable to a particular calendar year would be allocated based on U.S. and non-U.S. workdays in that year. Any interest added to the deferred compensation is itself treated as additional compensation and would be allocated based on workdays in that year.

Because the deferred compensation is paid directly by the U.S. employer, it is subject to wage withholding under IRC 3402 and the regulations thereunder and taxable to the NRA as ECI at graduated rates to the extent the payment is considered U.S.-source. To the extent the payment is considered foreign-source, it is exempt from wage withholding and any U.S. tax liability.

- IRC 409A
- IRC 3121(v)(2)
- IRC 3306(r)(2)

- Treas. Reg. 1.861-4(b)(2)(ii)(E)

- IRC 864(c)(6)
- IRC 871(b)
- IRC 3402

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals	
Analysis	Resources
<p><u>Distributions from a Tax-Qualified Retirement Plan of a U.S. Company</u></p> <p>The Code covers two types of tax-qualified retirement plans:</p> <ul style="list-style-type: none"> ▪ Defined Benefit Plans <ul style="list-style-type: none"> – These are employer-sponsored plans where the benefits paid to employees are computed using a formula that considers multiple factors, such as salary history and length of employment. A pension plan, for the purpose of IRC 401(a), is “established and maintained by an employer primarily to provide systematically for the payment of definitely determinable benefits to his employees over a period of years, usually for life, after retirement.” ▪ Defined Contribution Plans <ul style="list-style-type: none"> – These are plans in which employees have a separate account that reflects employee and employer contributions, trust income and expenses, and gains or losses. The account balance is the basis for determining the employee’s benefits. Examples include 401(k) and 403(b) plans, employee stock ownership plans (ESOPs), profit-sharing plans, simplified employee pensions (SEPs), and simple retirement accounts (SIMPLEs). <p>Both defined benefit plans and defined contribution plans can be designed to accept before-tax contributions (aka employer contributions, including elective contributions to a qualified cash or deferred arrangement under IRC 401(k)) and after-tax contributions (aka employee contributions).</p>	<ul style="list-style-type: none"> ▪ IRC 401(a) ▪ IRC 414(j) ▪ Treas. Reg. 1.401-1(b)(1)(i) ▪ IRC 401(k) ▪ IRC 403(b) ▪ IRC 408(k) ▪ IRC 408(p) ▪ IRC 414(i) ▪ Treas. Reg. 1.401-1(b)(1)(ii) ▪ Treas. Reg. 1.401-1(b)(1)(iii)

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals	
Analysis	Resources
<p><u>Distributions from a Tax-Qualified Retirement Plan of a U.S. Company (cont'd)</u></p> <p>Distributions from a U.S. tax-qualified retirement plan to an NRA have three components:</p> <ol style="list-style-type: none"> 1. The portion attributable to pre-tax contributions for services rendered within the United States: <ul style="list-style-type: none"> - Distributions with respect to contributions for services rendered by the employee on or before December 31, 1986, are taxed as U.S.-source FDAP at 30% under IRC 871(a)(1)(A). - Distributions with respect to contributions for services rendered by the employee after December 31, 1986, are taxed as ECI at graduated rates under IRC 871(b) and 864(c)(6). 2. The portion attributable to pre-tax contributions for services rendered outside the United States: <ul style="list-style-type: none"> - Considered foreign-source distributions and therefore not subject to U.S. tax. - See the sourcing rules discussed above to determine how to allocate contributions between U.S. and non-U.S. workdays. 3. The portion attributable to earnings and accretions of the plan: <ul style="list-style-type: none"> - So long as the plan is a U.S. trust, these distributions are treated as U.S.-source FDAP and taxed at 30% under IRC 871(a)(1)(A). <p>Note: Distributions from a U.S. tax-qualified defined benefit plan are sourced under a computation method set out in Rev. Proc. 2004-37.</p>	
	<ul style="list-style-type: none"> ▪ IRC 871(a) ▪ IRC 871(b) ▪ IRC 864(c)(6) ▪ Rev. Rul. 79-388 ▪ Rev. Rul. 79-389 ▪ Treas. Reg. 1.861-4(b)(2) ▪ Rev. Proc. 2004-37

Detailed Explanation of the Concept (cont'd)


Deferred Compensation Received by Nonresident Alien Individuals


Analysis

Resources

Distributions from a Tax-Qualified Retirement Plan of a U.S. Company (cont'd)

The withholding regulations under IRC 1441 provide that the entire U.S.-source portion of a pension distribution (including both “contributions” and “earnings and accretions”) to an NRA is subject to 30% withholding. NRAs receiving payments of ECI are required to file U.S. tax returns on Form 1040-NR. Amounts withheld in excess of the NRA’s ultimate tax liability may be refundable. FICA and FUTA taxes do not apply to distributions from tax-qualified deferred compensation plans.

 **CAUTION:** Prior to the IRC 1441 regulations which clarified that distributions from qualified plans are subject to withholding under IRC 1441, several private letter rulings suggested that the ECI portion of a pension distribution is subject to wage withholding under IRC 3402. This is no longer the case.

 **TREATY IMPLICATIONS:** Distributions from a tax-qualified U.S. retirement plan that are treated as pension distributions to an NRA who is a resident of a treaty country are usually exempt from tax in the source country. Whether a payment is considered a pension distribution depends on each individual treaty and set of facts.

- IRC 1441
- Treas. Reg. 1.1441-4(b)(1)(ii)
- Treas. Reg. 1.6012-1(b)(1)
- IRC 3121(a)(5)

- U.S. Model Treaty (2016), Art. 17

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals

Analysis

Resources

Payments from an Unfunded “Top-Hat” Retirement Plan

Top-hat retirement plans for key employees pay amounts out of an employer’s general funds (not funds specifically set aside for the plan) to the employee upon retirement. These plans are commonly referred to as “supplemental executive retirement plans” (SERPs) and provide the employee amounts that are in excess of those permitted to be paid under IRC 415 by a company’s defined contribution or defined benefit plan.

Payments are allocated between U.S. and non-U.S. workdays using an appropriate method under the sourcing rules. The U.S.-source portion of the payments is taxable as ECI at graduated rates and the employer is subject to wage withholding under IRC 3402 and the regulations thereunder, as well as FICA and FUTA taxes.

T TREATY IMPLICATIONS: If the NRA is a resident of a treaty country, review the terms of the tax treaty and details of the specific plan to determine whether the NRA is eligible for treaty benefits with respect to the item of income.

- IRC 415

- Treas. Reg. 1.861-4(b)(2)
- IRC 871(b)
- IRC 864(c)(6)
- IRC 3402

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals

Analysis

Resources

Equity-Based Compensation - U.S. Stock Option Plans

Employee stock options offer an employee the right to purchase a set number of shares at a specified price for a fixed period.

IRC 83 governs nonstatutory stock options (NSOs) (also known as nonqualified stock option plans) and states that a taxpayer who receives property in exchange for services must recognize ordinary income equal to the excess of the fair market value (FMV) of the property once it vests over any amount paid for such property. It contains two rules affecting all NSO transactions:

- If the option has a readily ascertainable FMV on the date of grant and is substantially vested, the taxpayer includes in gross income the “spread” on the grant date. The “spread” is the excess of the FMV of the option over any amount paid for the option.
- If the option does not have a readily ascertainable FMV on the grant date and is substantially vested, the taxpayer includes in gross income the “spread” on the exercise date. The “spread” is the excess of the FMV of the option over the exercise price.

Note that the restricted property rules apply, so if the option is not substantially vested at the time the option is granted or exercised, then there is no taxable event in either of the two situations discussed above.

- IRC 83(a)
- Treas. Reg. 1.83-7(a)

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals	
Analysis	Resources
<p><u>Equity-Based Compensation - U.S. Stock Option Plans (cont'd)</u></p> <p>An NRA may be subject to U.S. tax on part or all of the “spread” to the extent he or she worked in the United States during the vesting period. A stock option plan is generally treated as a “multi-year” arrangement and should be sourced based on workdays between the date the option was granted and the date it became vested.</p> <p>The U.S. source portion of the “spread” is subject to wage withholding under IRC 3402, taxed as ECI at graduated rates and subject to FICA and FUTA taxes either at the date of grant if it has a readily ascertainable FMV or at the date of exercise of the option if not. Any subsequent sale of the stock after the exercise of the option would be subject to the capital gain/loss rules for NRAs.</p> <p>For statutory stock option plans (also known as incentive stock options (ISOs) or qualified stock option plans), there is no recognition of income on either the grant or the exercise of the option as long as the stock received from the exercise of the option is held for at least two years from the grant date or one year from the exercise date. However, the exercise of an ISO will result in an item of adjustment for alternative minimum tax (AMT) purposes. Any subsequent sale of the stock received through the exercise of the option is subject to the capital gain/loss rules for NRAs. If the holding requirements are not met, the option is treated as an NSO and subject to the NSO rules.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. 1.861-4(b)(2)(ii)(F) ▪ IRC 864(c)(6) ▪ IRC 871(b) ▪ IRC 865(a) ▪ IRC 871(a)(2) ▪ IRC 421 ▪ IRC 422 ▪ IRC 56(b)(3)

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals	
Analysis	Resources
<p><u>Equity-Based Compensation - Restricted Stock Plans</u></p> <p>A restricted stock plan is an arrangement in which the employer transfers company stock to an employee at the beginning of the vesting period, subject to the condition that the employee remains employed with the company until the end of the vesting period. If not, the employee must forfeit the stock back to the employer.</p> <p>These plans are generally considered “multi-year” arrangements and are sourced over the entire vesting period. The U.S.-source portion of the spread is treated as compensation in the year that the participant’s rights in the shares vest and is taxed as ECI at graduated rates. The employee would be subject to wage withholding under IRC 3402 as well as FICA and FUTA taxes.</p>	<ul style="list-style-type: none">▪ Treas. Reg. 1.861-4(b)(2)(ii)(F)

Detailed Explanation of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals	
Analysis	Resources
<p><u>Deferred Compensation Received by Covered Expatriates</u></p> <p>A special tax regime applies to certain eligible deferred compensation items paid to a covered expatriate (CE). CEs are former U.S. citizens or long term lawful permanent residents (green card holders who did not take treaty positions to be treated as a nonresident alien for at least 8 out of the 15 years prior to expatriation) who expatriated. An eligible deferred compensation item is any deferred compensation item with respect to which:</p> <ul style="list-style-type: none"> ▪ The payor is either a U.S. person or a non-U.S. person who elects to be treated as a U.S. person, ▪ The CE notifies the payor of his or her status as a covered expatriate, and ▪ The CE irrevocably waives right to claim any withholding reduction under any U.S. treaty. <p>For eligible deferred compensation items, the payor must deduct and withhold a tax equal to 30% of any taxable payment to a CE with respect to such an item. A taxable payment is any payment to the extent it would be includible in gross income of the CE if such person continued to be subject to tax as a citizen or resident of the United States.</p> <p>In the case of any deferred compensation item, the amount of a taxable payment will not include the portion of such item that is attributable to services performed outside the United States before or after the expatriation date while the CE was not a citizen or resident of the United States.</p>	<ul style="list-style-type: none"> ▪ IRC 877A(d)(3) ▪ Notice 2009-85 ▪ Form 8854 - <i>Initial and Annual Expatriation Statement</i> ▪ Form W-8CE - <i>Notice of Expatriation and Waiver of Treaty Benefits</i>

Examples of the Concept

Deferred Compensation Received by Nonresident Alien Individuals

Examples

Source of Income - Single-Year and Multi-Year Arrangements

Example 1:

In Year 1, NRA taxpayer works 125 days in the United States, 125 days in his country of residence, and defers \$50,000 of his compensation until Year 3. In Year 2, he works zero days in the United States, 250 days in his country of residence, and defers \$100,000 of his compensation until Year 3.

If these were considered single-year arrangements, \$25,000 of his deferred compensation from Year 1 would be considered U.S.-source ($\$50,000$ multiplied by 125 days divided by 250 days) and the remaining \$25,000 would be considered foreign-source in Year 3. For the deferred compensation earned in Year 2, zero would be U.S.-source ($\$100,000$ multiplied by 0 days divided by 250 days) and \$100,000 ($\$100,000$ multiplied by 250 days divided by 250 days) would be foreign-source in Year 3.

Example 2:

In Year 1, an employer promises to pay NRA employee, in addition to his annual salary, \$100,000 as an incentive for the employee to work from the beginning of Year 1 until the end of Year 2. If the employee does not work until the end of Year 2, the full \$100,000 of the deferred compensation will be forfeited. The employee fulfills this requirement and works until the end of Year 2, and the incentive is paid in Year 3. In Year 1, the employee worked 250 days in the United States and zero days abroad. In Year 2, the employee worked zero days in the United States and 250 days abroad.

This arrangement is considered a multi-year arrangement and therefore the deferred compensation is allocated based on U.S. and foreign workdays throughout the two-year period. Therefore, 50% (\$50,000) of the deferred compensation is allocated to U.S. sources and 50% (\$50,000) is allocated to foreign sources in Year 3.

Examples of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals

Examples

Distributions from a Tax-Qualified Pension Plan

Example:

An NRA taxpayer retires this year and begins receiving pension payments from his former U.S. employer's tax-qualified pension plan. The taxpayer worked for this U.S. employer in the United States for 10 years prior to retiring. Under IRC 864(c)(6), the portion of pension payments attributable to pre-tax contributions to the pension fund while the taxpayer worked in the United States would be considered ECI, even though the NRA taxpayer is not engaged in a U.S. trade or business at the time he receives the payments. The portion of the pension payment attributable to the earnings and accretions of the plan would be FDAP income subject to tax at 30% under IRC 871(a)(1)(A). Even though a portion of the payments will be taxed as ECI, the entire payment would be subject to 30% withholding under IRC 1441.

Assuming no treaty applies to exclude the distributions from U.S. taxation, if the amount of withholding exceeds the amount of tax due, the NRA taxpayer may be eligible for a refund by filing a Form 1040-NR return. The taxpayer is required to pay additional amounts should the withholding on the payment not satisfy the taxpayer's full tax liability.

Examples of the Concept (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals

Examples

Stock Options- Source of Income

Example:

On January 1, 2006, Company Q compensates employee J with a grant of nonstatutory stock options that do not have a readily ascertainable fair market value when granted. The stock options permit J to purchase 100 shares of Company Q stock for \$5 per share. The stock options do not become exercisable unless and until J performs services for Company Q for 5 years. J works for Company Q for the 5 years required by the stock option grant. In years 2006-2008, J performs all of his services for Company Q within the United States. In 2009, J performs half of his services for Company Q within the United States and half of his services for Company Q without the United States. In year 2010, J performs his services entirely without the United States. On December 31, 2012, J exercises the options when the stock is worth \$10 per share. J recognizes \$500 in taxable compensation (\$10 minus \$5 multiplied by 100) in 2012.

Pursuant to Treas. Reg. 1.861-4(b)(2)(ii)(A) and (E), compensation for personal services performed by an individual is sourced on a time basis. Under the facts and circumstances, the applicable period is the 5-year period between the date of grant (January 1, 2006) and the date the stock options become exercisable (December 31, 2010). On the date the stock options become exercisable, J performs all services necessary to obtain the compensation from Company Q. Accordingly, the services performed after the date the stock options become exercisable are not taken into account in sourcing the compensation from the stock options. Since J performs 3.5 years of services for Company Q within the United States and 1.5 years of services for Company Q without the United States during the 5-year period, 7/10 of the \$500 of compensation (or \$350) recognized in 2012 is income from sources within the United States and the remaining 3/10 of the compensation (or \$150) is income from sources without the United States.

Index of Referenced Resources

Deferred Compensation Received by Nonresident Alien Individuals

IRC 56(b)(3)

IRC 83(a)

IRC 401

IRC 403(b)

IRC 408

IRC 409A

IRC 414

IRC 415

IRC 421

IRC 422

IRC 861(a)(3)

IRC 862(a)(3)

IRC 864(c)(6)

IRC 865(a)

IRC 871

IRC 877A(d)(3)

IRC 1441

Index of Referenced Resources (cont'd)

Deferred Compensation Received by Nonresident Alien Individuals
IRC 3121
IRC 3306(r)(2)
IRC 3402
Treas. Reg. 1.83-7(a)
Treas. Reg. 1.401-1(b)(1)
Treas. Reg. 1.861-4
Treas. Reg. 1.1441-4(b)(1)(ii)
Treas. Reg. 1.6012-1(b)(1)
Rev. Proc. 2004-37
Rev. Rul. 79-388
Rev. Rul. 79-389
Notice 2009-85
U.S. Model Treaty (2016), Art. 17
Form 8854 - <i>Initial and Annual Expatriation Statement</i>
Form W-8CE - <i>Notice of Expatriation and Waiver of Treaty Benefits</i>

Training and Additional Resources

Deferred Compensation Received by Nonresident Alien Individuals

Type of Resource	Description(s)
Databases / Research Tools	<ul style="list-style-type: none">▪ <i>BNA Tax Management Portfolio 381-5th: Statutory Stock Options</i>▪ <i>BNA Tax Management Portfolio 383-5th: Nonstatutory Stock Options</i>▪ <i>BNA Tax Management Portfolio 6400-1st: U.S. Income Taxation of Nonresident Alien Individuals</i>▪ <i>BNA Tax Management Portfolio 6820-1st: International Aspects of U.S. Income Tax Withholding on Wages and Service Fees</i>

Glossary of Terms and Acronyms

Term/Acronym	Definition
AMT	Alternative Minimum Tax
CE	Covered Expatriate
ECI	Effectively Connected Income
ESOP	Employee Stock Ownership Plan
FDAP	Fixed or Determinable, Annual, or Periodical
FICA	Federal Insurance Contributions Act
FMV	Fair Market Value
FUTA	Federal Unemployment Tax Act
ISO	Incentive Stock Option
NRA	Nonresident Alien
NSO	Nonstatutory Stock Option
SEP	Simplified Employee Pension
SERP	Supplemental Executive Retirement Plan
SIMPLE	Simple Retirement Account

Index of Related Practice Units

Associated UIL(s)	Related Practice Unit
9441	<i>Source of Income for Nonresident Alien Individuals</i>
9441	<i>Identification of a U.S. Trade or Business of a Nonresident Alien</i>
9441	<i>Effectively Connected Income</i>
9441	<i>Allocation and Apportionment of Deductions for Nonresident Alien Individuals</i>