

Updated Employee Service Guidance: Taxation of Nonresident Aliens Working Outside the U.S.

Introduction

Effective January 1, 2024, the International Tax Office will discontinue monitoring and manual tax withholding adjustments for nonresident alien employees performing work from outside the U.S.¹ and being paid through HCM. This change is being implemented to improve the university's compliance with both U.S. and non-U.S. employment and tax laws and to minimize financial risk to CU and its highly valued international employees.

Nonresident alien (NRA) individuals working from outside the U.S. are typically not subject to U.S. payroll taxes under IRS source of income rules, however, **new and rehired nonresident alien employees, being paid through HCM, and working from a location outside the U.S., should expect to have U.S. payroll taxes withheld from their pay beginning in 2024.**

By following the guidance provided below, along with campus specific guidance for global workers*, hiring departments will mitigate negative tax consequences to their employees as well as reducing CU's exposure to risks of non-compliance.

* Please consult with your campus HR Lead/Central HR for non-tax related direction and approval.

¹ No changes will be implemented for employees on the ICB Campus.

If nonresident alien...	Then...
is not expected to enter the U.S. in conjunction with their CU work	<p>...individual should not be paid through HCM. ...individual should be hired via GPS. Failure to pay through GPS is expected to result in potentially significant financial burden on the individual including the potential inability to recoup withheld tax through U.S. tax filing.</p>
is expected to enter the U.S. only periodically for short periods to participate in meetings or conferences related to their CU work	<p>...individual should not be paid through HCM. ...individual should be hired via GPS. Failure to pay through GPS is expected to result in potentially significant financial burden on the individual including the potential inability to recoup withheld tax through U.S. tax filing.</p>
begins work outside the U.S. due to a visa delay	<p>...individuals without a U.S. bank account must be hired through GPS, and transitioned to CU upon U.S. entry, for timely delivery of pay as required by U.S. labor law. ...regardless of whether individual has a U.S. bank account, if the expected work arrangement will exceed 4 months, hire through GPS is recommended to ensure correct U.S. <u>and</u> foreign taxation during the period of work abroad. Hire in HCM while working abroad will impact individual's cash flow due to unnecessary tax deductions that the individual may recoup when they file their personal tax return.</p>
leaves the U.S. due to visa expiration and continues their work outside the U.S.	<p>...if work arrangement is expected to exceed 4 months, transition to GPS is recommended to ensure correct U.S. <u>and</u> foreign taxation during the period of work abroad. Hire in HCM while working abroad will impact individual's cash flow due to unnecessary tax deductions that the individual may recoup when they file their personal tax return.</p>
is expected to work outside the U.S. for more than 30 days during the summer or other period for their own convenience before returning to work inside the U.S.	<p>...if work arrangement is expected to exceed 4 months, transition to GPS is recommended to ensure correct U.S. <u>and</u> foreign taxation during the period of work abroad. Hire in HCM while working abroad will impact individual's cash flow due to unnecessary tax deductions that the individual may recoup when they file their personal tax return.</p>
is assigned to work in the field for more than 30 days at location outside the U.S. before returning to work in the U.S.	<p>...if work arrangement is expected to exceed 4 months, transition to GPS is recommended to ensure correct U.S. <u>and</u> foreign taxation during the period of work abroad. Hire in HCM while working abroad will impact individual cash flow due to unnecessary tax deductions that the individual may recoup when they file their personal tax return.</p>

Note: U.S. citizens, lawful permanent residents and resident aliens are subject to U.S. payroll taxes on their worldwide income. Taxation of this population is not impacted by this updated guidance.