

1994



Department of the Treasury
Internal Revenue Service

Instructions for Forms 1042 and 1042-S

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.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

	Form 1042	Form 1042-S
Recordkeeping	6 hr., 13 min.	4 hr., 47 min.
Learning about the law or the form	4 hr., 31 min.	1 hr., 46 min.
Preparing the form	6 hr., 40 min.	2 hr., 50 min.
Copying, assembling, and sending the form to the IRS	32 min.	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Tax Forms Committee, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0096), Washington, DC 20503. **DO NOT** send the tax forms to either of these offices. Instead, see **Where and When To File** below.

General Instructions

A Change To Note

The 1995 **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding, and its instructions will be available by spring 1995. We are making the form available earlier so that withholding agents can give more timely notice to recipients of completed transactions.

Purpose of Form

Use **Form 1042**, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, 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. Tax withheld on salaries or wages paid to nonresident alien employees for personal services is generally reported on Form 941 or Form 942. See page 3.

Who Must File

Every U.S. withholding agent who receives, controls, has custody of, disposes of, or pays a 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 tape 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. Form 1042-S must be filed to report all items of income described under **Income Subject to Withholding** on page 2, except income that is required to be reported on Form W-2.

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 15, 1995. You are

also required to furnish Form 1042-S to the recipient of the income.

If you need more time to file Forms 1042 and 1042-S, 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.

Magnetic Tape Reporting

Generally, you must use magnetic tape to file 250 or more Forms 1042-S.

A. Standard mail shipments should be addressed to:

Internal Revenue Service
Martinsburg Computing Center
Magnetic Media Reporting
P.O. Box 1359
Martinsburg, WV 25401-1359

B. Shipments by other carriers (e.g., UPS or FedEx) should be addressed to:

Internal Revenue Service
Martinsburg Computing Center
Magnetic Media Reporting
Route 9 and Needy Road
Martinsburg, WV 25401

Note on the address side of the shipment:

DELIVER UNOPENED TO TAPE
LIBRARY. MAGNETIC MEDIA
REPORTING, BOX ____ OF ____.

Magnetic tape reporting to the IRS for Forms 1042-S must be on a calendar year basis. The dates prescribed for filing paper documents with the IRS also apply to magnetic tape filing. Files must be submitted to the Martinsburg Computing Center by March 15, 1995.

Get **Pub. 1187** for requirements and conditions for filing Forms 1042-S on magnetic tape. You may also call the Martinsburg Computing Center at (304) 263-8700, for more information.

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 15, 1995.

Income Subject to Withholding

Generally, fixed or determinable annual or periodic income from sources in the United States is subject to withholding. This includes interest, dividends, rents, salaries, wages, premiums, annuities, or other gains, profits, or income unless specifically exempted under the Internal Revenue Code or a tax treaty.

Payers of income are required to withhold and deduct a tax from the income at the rate in effect when the payment is made.

You do not have to withhold tax on any of the above income (other than compensation for personal services) if: **(1)** the income is effectively connected with the conduct of a trade or business in the United States; **(2)** the income is includible in the recipient's gross income for the tax year under section 871(b)(2), 842, or 882(a)(2); and **(3)** the recipient has filed **Form 4224**, Exemption From Withholding of Tax on Income Effectively Connected With the Conduct of a Trade or Business in the United States, or a written statement giving the same information as that shown on Form 4224.

The tax paid at the source on tax-free covenant bond interest payable to a domestic or resident fiduciary and allocable to any nonresident alien beneficiary under section 652 or 662 is allowable, pro rata, as a credit against the tax required to be withheld by the fiduciary from the income of the beneficiary.

Income Exempt From Withholding

Interest on deposits.—No withholding (or reporting) is required on interest paid on deposits to nonresident aliens, foreign partnerships, or foreign corporations if such interest is not effectively connected with the conduct of a trade or business in the United States. For this purpose, the term "deposits" means amounts that are on deposit with a U.S. bank, savings and loan association, or similar institution, and from certain deposits with an insurance company.

Compensation of nonresident alien students, teachers, and researchers.—These individuals can use **Form 8233**, Exemption From Withholding on Compensation for Independent Personal Services of a Nonresident Alien Individual, to claim exemption from withholding on compensation for services that are exempt from taxation under a U.S. tax treaty. Students must provide the statement required by Revenue Procedure 87-8. Teachers and researchers must provide the information required by Revenue Procedure 87-9. (These Revenue Procedures have been

modified by Revenue Procedure 93-22.) The statements are in **Pub. 519**, U.S. Tax Guide for Aliens. This publication is available by calling 1-800-TAX-FORM (1-800-829-3676). All these individuals must also provide the information required by Form 8233, disregarding references to independent personal services, and then submit the form with the required statement to their withholding agent.

Portfolio interest.—Generally, for obligations issued after July 18, 1984, no withholding is required on interest paid on portfolio debt investments to nonresident aliens, foreign partnerships, or foreign corporations.

- For interest on a **registered obligation not targeted to foreign markets** to qualify as portfolio interest and not be subject to 30% withholding, you must receive from the beneficial owner of the obligation a **Form W-8**, Certificate of Foreign Status, or a substitute statement; or you must receive a statement from a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business that the institution has received a Form W-8 or substitute statement. The institution must also attach a copy of Form W-8 or the substitute statement.

Even though the portfolio interest is not subject to 30% withholding, you must prepare a Form 1042-S (or magnetic tape report) to report the interest payment. Attach a copy of the Form W-8 or the substitute you received to Form 1042.

- You may treat interest on a **registered obligation that is targeted to foreign markets** as portfolio interest if you do not have actual knowledge that the beneficial owner is a U.S. person and you receive the required certification from a payee that is a financial institution or a member of a clearing organization. (See Regulations section 35a.9999-5, A-12, A-14, and A-15.) If you pay the interest to a beneficial owner that is not a financial institution or a member of a clearing organization, you must receive a Form W-8 or substitute statement from the beneficial owner for the interest to be exempt from withholding. However, a U.S. withholding agent that is a foreign branch of a U.S. financial institution is not required to receive a Form W-8 if the beneficial owner provides the withholding agent with documentary evidence that the beneficial owner is not a U.S. person. Do not file Form 1042-S to report interest not subject to withholding on registered obligations targeted to foreign markets when a Form W-8 is not required.

- You need not receive Form W-8 or substitute for **bearer obligations targeted to foreign markets**. Treat the

interest on a bearer obligation as portfolio interest not subject to 30% withholding if the obligation is considered targeted to foreign markets. Do not file Form 1042-S to report interest not subject to withholding on bearer obligations when a Form W-8 is not required.

Additional Information

For more information, including the exceptions to the portfolio interest rules discussed above, get **Pub. 515**, Withholding of Tax on Nonresident Aliens and Foreign Corporations.

Withholding on Dispositions of U.S. Real Property Interests by Publicly Traded Trusts and Real Estate Investment Trusts (REITs)

Regulations section 1.1445-8 provides rules for withholding required on the disposition of a U.S. real property interest by a publicly traded trust or a REIT. The special rules of Regulations section 1.1445-8 only apply to distributions by a publicly traded trust or a REIT.

In general, when a publicly traded trust or a REIT makes a distribution to a foreign person attributable to the disposition of a U.S. real property interest, it must withhold tax under section 1445. However, this withholding liability is shifted to the person that pays the distribution to a foreign person (or to the account of the foreign person) if the special notice requirement of Regulations section 1.1445-8(f) and other requirements of Regulations section 1.1445-8(b)(1) are satisfied.

The amount subject to withholding for a distribution by a publicly traded trust is determined under the large trust rules of Regulations section 1.1445-5(c)(3). The amount subject to withholding for a distribution by a REIT generally is the amount of each share or beneficial interest designated by the REIT as a capital gain dividend, multiplied by the number of shares or certificates of beneficial interests owned by a foreign person. If the withholding liability is shifted to the payer of the distribution under Regulations section 1.1445-8(b), the payer will receive notice as described in Regulations section 1.1445-8(f) of the amount of the distribution subject to withholding.

The rate of withholding is as follows: **(1)** distribution by a publicly traded trust that makes recurring sales of growing crops and timber, 10%; **(2)** distribution by a publicly traded trust not described in **(1)** above, 35%; **(3)** distribution by a REIT, 35%.

To determine whether an interest holder is a foreign person, see Regulations section 1.1445-8(e).

Use Forms 1042 and 1042-S to report and pay over the withheld amounts. All other withholding required under section 1445 is reported and paid over using **Form 8288**, U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests, and **Form 8288-A**, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests.

The rules of Regulations section 1.1461-4 control how and when to obtain refunds of overwithheld amounts. Thus, the early refund procedure in Regulations section 1.1445-6(g) does not apply to persons whose payments were withheld under Regulations section 1.1445-8.

Publicly Traded Partnerships (Section 1446 Withholding Tax)

The term "publicly traded partnership" means any partnership in which interests are regularly traded on an established securities market (regardless of the number of its partners). However, it does not include a publicly traded partnership treated as a corporation under the general rule of section 7704(a).

A publicly traded partnership that has effectively connected income, gain or loss, must pay a withholding tax under section 1446 from distributions to a foreign partner and file Forms 1042 and 1042-S, unless an election is made to pay a withholding tax based on effectively connected taxable income allocable to foreign partners. See Pub. 515 for details.

Effectively connected income from a nonpublicly traded partnership should be reported on **Form 8804**, Annual Return for Partnership Withholding Tax (Section 1446), and **Form 8805**, Foreign Partner's Information Statement of Section 1446 Withholding Tax.

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 is to be reported using Forms 1042 and 1042-S. Use **Form 942**, Employer's Quarterly Tax Return for Household Employees, 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 to these forms and **Publication 15 (Circular E)**, Employer's Tax Guide.

Tax Treaties

Residents of certain foreign countries having tax treaties with the United States may be entitled to reduced rates of, or exemptions from, tax under the applicable tax treaty. See Pub. 515 for the procedures recipients must follow to establish that they qualify for a reduced rate of tax, or an exemption from tax.

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. Please 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 requirements 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 15, 1995.

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 15, 1995.

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 15, 1995.

Completing Form 8109, Federal Tax Deposit Coupon.—In most cases, you will fill out a deposit coupon following the instructions in **How to determine the proper tax period** 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 preinscribed 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

Deposits by Electronic Funds Transfer (EFT).—Generally, if your total deposits of withheld income, social security, and Medicare taxes during calendar year 1993 exceeded \$78 million, you are required to deposit all depository taxes due after 1994 by EFT. TAXLINK, an electronic remittance processing system, must be used to make deposits by EFT. Even if you are not required to make deposits by EFT, you may voluntarily participate in TAXLINK. For more details on TAXLINK, see Rev. Proc. 94-48, 1994-29 I.R.B. 31. You may also call the TAXLINK HELPLINE at 1-800-829-5469.

Interest and Penalties

If you file Form 1042 or Forms 1042-S late, fail to furnish correct Forms 1042-S, 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 filing of correct Form 1042-S. A penalty may be imposed for failure to file each correct and complete Form 1042-S when due (including extensions). The penalty, based on when you file a correct Form 1042-S, is:

- \$15 per Form 1042-S if you correctly file within 30 days; maximum penalty \$75,000 per year (\$25,000 for a small business). A small business, for this purpose, is defined as having average annual gross receipts of \$5 million or less for the most recent 3 tax years (or for the period of its existence, if shorter) ending before the calendar year in which the Forms 1042-S are due.
- \$30 per Form 1042-S if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$150,000 per year (\$50,000 for a small business).
- \$50 per Form 1042-S if you file after August 1 or you do not file correct Forms 1042-S; maximum penalty \$250,000 per year (\$100,000 for a small business).

If you intentionally disregard the requirement to report correct information, the penalty per Form 1042-S is increased to \$100 or, if greater, 10% of the total amount of items required to be reported, with no maximum penalty. For more information, see sections 6721 and 6724.

4. Failure to furnish correct Form 1042-S to payee. A penalty of \$50 may be imposed for each failure to furnish Form 1042-S to the recipient when due. The penalty may also be imposed for failing to include all required information or furnishing incorrect information on Form 1042-S. The maximum penalty is \$100,000 for all failures to furnish correct payee statements during a calendar year. If you intentionally disregard the requirement to report correct information, each \$50 penalty is increased to \$100 or, if greater, 10% of the total amount of items required to be reported, and the \$100,000 maximum does not apply. See sections 6722 and 6724 for more information.

5. Late payment of tax. The penalty for not paying tax when due is usually $\frac{1}{2}$ 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.

6. 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.

7. 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 for Withholding Agents

Form 1042

Note: *If you are a withholding agent for many clients, 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 1994 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. This deduction is prorated on the basis of \$6.71 a day for 1994 for each exemption for the period in which the alien performs the services in the United States. Attach a statement to Form 1042 explaining the amount of compensation for labor or personal services in the United States and the amount of exemptions prorated. 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 either 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 1995.

Forms You Must Send With Form 1042

You must 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 Tape Reporting** on page 1.

Attach to Form 1042 a copy of each Form 8233 you received. Also attach copies of any Forms W-8 or substitute statements received from beneficial owners of interest on registered obligations not targeted to foreign markets.

Form 1042-S

Complete Form 1042-S to report income subject to withholding under section 1441 or 1442 (and Regulations section 1.1445-8) paid to nonresident aliens, foreign partnerships, foreign corporations, or nonresident alien or foreign fiduciaries of estates or trusts. Form 1042-S is also used by publicly traded partnerships who must pay a tax under section 1446 by withholding from distributions to foreign partners. File Copy A with the Internal Revenue Service. Copies B, C, and D are for the recipient, and Copy E is for your records.

You must file a Form 1042-S even if: **(1)** you did not withhold tax because the income was exempt from tax under a U.S. tax treaty or the Code, including the exemption for income effectively connected with conducting a trade or business in the United States; or **(2)** you released the tax withheld to the recipient.

Nonresident alien entertainers, athletes, etc.—Nonresident alien entertainers, athletes, and similar individuals subject to U.S. income tax withholding for performances or participation in athletic events in the United States can request central withholding agreements and qualify for reduced rates of withholding. For more information, see Pub. 515.

Completing Form 1042-S.—Enter the correct income code, exemption code, country code, country name, and recipient code on Form 1042-S. These items determine the correct rate of tax to be applied to the gross amount of income paid. The recipient's country of residence for tax purposes (the country in which the recipient is a resident for that country's tax laws) should be provided in all cases. It may be important in reconciling the tax per return for administrative purposes and in identifying the information required to be furnished to a foreign government under a mutual exchange of information agreement provided under a tax treaty. The country shown in box 8 should in most cases agree with the country shown in the address in box 7. The income codes, exemption codes, and

recipient codes are listed below. These codes are also on the back of Copy C. The country code for the country of which the recipient is a resident for tax purposes is listed on pages 6 and 7 of these instructions.

Note: *When reporting gambling winnings, use Income Code 28. If you use Form 1042-S to report gambling winnings during 1995 before the 1995 form is available, use the 1994 form. Cross out 1994 and insert 1995.*

You must obtain and enter a U.S. taxpayer identification number for **(1)** any citizen or resident of the United States, **(2)** any recipient whose income is effectively connected with the conduct of a trade or business in the United States (Exemption Code 1 should be entered in column (f)), and **(3)** any

nonresident alien individual claiming exemption from withholding on compensation for independent personal services (Exemption Code 4 should be entered in column (f)).

In column (g), enter any withheld tax minus any tax that has been released (repaid) to the recipient. At your option, you may use line 6 to enter the recipient's account number assigned by you.

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

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

Instructions

Column (a).—Enter the appropriate income code.

Code	Type of Income
01	Interest paid by U.S. obligors—general
02	Interest on real property mortgages
03	Interest paid to controlling foreign corporations
04	Interest paid by foreign corporations (U.S. agents)
05	Interest on tax-free covenant bonds
06	Dividends paid by U.S. corporations—general
07	Dividends paid by U.S. subsidiaries to foreign parent corporations (including consent dividends)
08	Dividends paid by foreign corporations
09	Capital gains
10	Industrial royalties
11	Motion picture or television copyright royalties
12	Other royalties (e.g., copyright, recording, publishing)
13	Real property income and natural resources royalties
14	Pensions, annuities, alimony, and/or insurance premiums
15	Scholarship or fellowship grants
16	Compensation for independent personal services*
17	Compensation for dependent personal services*
18	Compensation for teaching*
19	Compensation during studying and training*
20	Earnings as an artist or athlete
24	Real estate investment trust (REIT) distributions of capital gains
25	Trust distributions subject to IRC section 1445
26	Unsevered growing crops and timber distributions by a trust subject to IRC section 1445
27	Publicly traded partnership distributions subject to IRC section 1446

*If compensation covered under Income Codes 16–19 is directly attributable to the recipient's occupation as an artist or athlete, Income Code 20 should be used. Also, wherever appropriate, Recipient Code 09 should be used instead of Recipient Code 01 (individual), 02 (corporation), or 03 (partnership).

**Income that is not from U.S. sources received by a nonresident alien is not taxable and should not be reported on Form 1042-S.

28 Gambling winnings

50 Other income

Column (f).—If the tax rate entered in column (e) is 0%, enter the appropriate exemption code.

Code Authority for Exemption

1	Income effectively connected with a U.S. trade or business
2	Exempt under an Internal Revenue Code section
3	Income is not from U.S. sources**
4	Exempt under tax treaty

Line 4.—Enter the appropriate recipient code.

Code Type of Recipient

01	Individual*
02	Corporation*
03	Partnership*
04	Fiduciary
05	Nominee
06	Government or International Organization
07	Tax-Exempt Organization (IRC section 501(a))
08	Private Foundation
09	Artist or athlete
19	Other
20	Type of recipient unknown

Country Codes

Enter in column (h) the code, from the list below, for the country of which the recipient is a resident for tax purposes. These codes are used by the IRS to provide information to all tax treaty countries for purposes of their tax administration. Generally, the recipient's country for both tax and mailing purposes will be the same. In some cases, however, two different countries are involved.

Country	Code	Country	Code
Afghanistan	AF	Cape Verde	CV
Albania	AL	Cayman Islands	CJ
Algeria	AG	Central African Republic	CT
American Samoa	AQ	Chad	CD
Andorra	AN	Chile	CI
Angola	AO	China, People's Republic of	CH
Anguilla	AV	Christmas Island (Indian Ocean)	KT
Antarctica	AY	Christmas Island (Pacific Ocean)	KR
Antigua and Barbuda	AC	Clipperton Island	IP
Argentina	AR	Cocos (Keeling) Islands	CK
Armenia	AM	Colombia	CO
Aruba	AA	Comoros	CN
Ashmore and Cartier Islands	AT	Congo	CF
Australia	AS	Cook Islands	CW
Austria	AU	Coral Sea Islands Territory	CR
Azerbaijan	AJ	Costa Rica	CS
Azores	PO	Cote D'Ivoire (Ivory Coast)	IV
Bahamas, The	BF	Croatia	HR
Bahrain	BA	Cuba	CU
Baker Island	FQ	Cyprus	CY
Bangladesh	BG	Czech Republic	EZ
Barbados	BB	Denmark	DA
Bassas da India	BS	Djibouti	DJ
Belarus	BO	Dominica	DO
Belgium	BE	Dominican Republic	DR
Belize	BH	Ecuador	EC
Benin	BN	Egypt	EG
Bermuda	BD	El Salvador	ES
Bhutan	BT	Equatorial Guinea	EK
Bolivia	BL	Eritrea	ER
Bosnia-Herzegovina	BK	Estonia	EN
Botswana	BC	Ethiopia	ET
Bouvet Island	BV	Europa Island	EU
Brazil	BR	Falkland Islands (Islas Malvinas)	FK
British Indian Ocean Territory	IO	Faroe Islands	FO
Brunei	BX	Fiji	FJ
Bulgaria	BU	Finland	FI
Burkina Faso	UV	France	FR
Burma	BM	French Guiana	FG
Burundi	BY	French Polynesia	FP
Cambodia	CB	French Southern and Antarctic Lands	FS
Cameroon	CM	Gabon	GB
Canada	CA	Gambia, The	GA
Canary Islands	SP	Gaza Strip	GZ
		Germany	GM
		Georgia	GG
		Ghana	GH
		Gibraltar	GI
		Glorioso Islands	GO
		Greece	GR
		Greenland	GL
		Grenada	GJ
		Guadeloupe	GP
		Guam	GQ
		Guatemala	GT
		Guernsey	GK
		Guinea	GV
		Guinea-Bissau	PU
		Guyana	GY
		Haiti	HA
		Heard Island and McDonald Islands	HM
		Honduras	HO
		Hong Kong	HK
		Howland Island	HQ
		Hungary	HU
		Iceland	IC
		India	IN
		Indonesia	ID
		Iran	IR
		Iraq	IZ
		Iraq-Saudi Arabia Neutral Zone	IY
		Ireland	EI
		Isle of Man	IM
		Israel	IS
		Italy	IT
		Jamaica	JM
		Jan Mayen	JN
		Japan	JA
		Jersey	JE
		Johnston Atoll	JQ
		Jordan	JO
		Juan de Nova Island	JU
		Kazakhstan	KZ
		Kenya	KE
		Kingman Reef	KQ
		Kiribati	KR
		Korea, Democratic People's Republic of (North)	KN
		Korea, Republic of (South)	KS
		Kuwait	KU
		Kyrgyzstan	KG
		Laos	LA
		Latvia	LG
		Lebanon	LE
		Lesotho	LT
		Liberia	LI
		Libya	LY
		Liechtenstein	LS
		Lithuania	LH
		Luxembourg	LU
		Macau	MC
		Macedonia	MK
		Madagascar	MA
		Malawi	MI
		Malaysia	MY
		Maldives	MV
		Mali	ML
		Malta	MT

Country	Code				
		Philippines	RP	Syria	SY
Marshall Islands	RM	Pitcairn Island	PC	Taiwan	TW
Martinique	MB	Poland	PL	Tajikistan	TI
Mauritania	MR	Portugal	PO	Tanzania, United Republic of	TZ
Mauritius	MP	Puerto Rico	RQ	Thailand	TH
Mayotte	MF	Qatar	QA	Togo	TO
Mexico	MX	Reunion	RE	Tokelau	TL
Micronesia, Federated States of	FM	Romania	RO	Tonga	TN
Midway Islands	MQ	Russia	RS	Trinidad and Tobago	TD
Moldova	MD	Rwanda	RW	Tromelin Island	TE
Monaco	MN	St. Kitts and Nevis	SC	Trust Territory of the Pacific Islands	PS
Mongolia	MG	St. Helena	SH	Tunisia	TS
Montenegro	MW	St. Lucia	ST	Turkey	TU
Montserrat	MH	St. Pierre and Miquelon	SB	Turkmenistan	TX
Morocco	MO	St. Vincent and the Grenadines	VC	Turks and Caicos Islands	TK
Mozambique	MZ	San Marino	SM	Tuvalu	TV
Namibia	WA	Sao Tome and Principe	TP	Uganda	UG
Nauru	NR	Saudi Arabia	SA	Ukraine	UP
Navassa Island	BQ	Senegal	SG	United Arab Emirates	TC
Nepal	NP	Serbia	SR	United Kingdom	UK
Netherlands	NL	Seychelles	SE	Uruguay	UY
Netherlands Antilles	NT	Sierra Leone	SL	Uzbekistan	UZ
New Caledonia	NC	Singapore	SN	Vanuatu	NH
New Zealand	NZ	Slovakia	LO	Vatican City	VT
Nicaragua	NU	Slovenia	SI	Venezuela	VE
Niger	NG	Solomon Islands	BP	Vietnam	VM
Nigeria	NI	Somalia	SO	Virgin Islands (British)	VI
Niue	NE	South Africa	SF	Virgin Islands (U.S.)	VQ
Norfolk Island	NF	South Georgia	SX	Wake Island	WQ
Northern Ireland	UK	South Sandwich Islands	SX	Wallis and Futuna	WF
Northern Mariana Islands	CQ	Spain	SP	West Bank	WE
Norway	NO	Spratlly Islands	PG	Western Sahara	WI
Oman	MU	Sri Lanka	CE	Western Samoa	WS
Pakistan	PK	Sudan	SU	Yemen	YM
Palmyra Atoll	LQ	Suriname	NS	Zaire	CG
Panama	PM	Svalbard	SV	Zambia	ZA
Papua New Guinea	PP	Swaziland	WZ	Zimbabwe	ZI
Paracel Islands	PF	Sweden	SW	Other Countries	OC
Paraguay	PA	Switzerland	SZ		
Peru	PE				