

Service Request 16940

Form 1042-S - 2004 Tax Year Changes

Detail Design

Baskar Chitravel
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Enterprise IT Services
Information Resources and Communications
Office of the President
University of California

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Introduction

Service Request 16940 addresses requirements to change the Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) process and the magnetic media for the 2004 tax year.

- 1) The laser printed Form 1042-S will be modified to change the year from 2003 to 2004.
- 2) The Magnetic Media file is changed according to the modifications announced by Internal Revenue Service (IRS) Publication 1187 ("Specifications for Filing Form 1042-S, Foreign Persons U.S. Source Income Subject to Withholding, Magnetically or Electronically") for the tax year 2004.

Processing Overview

The following modifications are needed for the 2004 form 1042-S:

1. 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) form's Copy B, C, and E are modified to change the year displayed to the reporting year of 2004.
2. The following changes are needed for the 1042-S Magnetic Media file:

Record Sequence Number field is added in columns 771 through 778 in all record type ("T", "W", "Q", "C", and "F") records. This is the number of the record as it appears within the file.

- a. Transmitter "T" Record:
 - i. Prior Year Indicator field (length 1) is added at position 199.
 - ii. The tax year field will have a value of 2004 in columns 2 through 5.
- b. Withholding Agent "W" Record:
 - i. Withholding Agent's EIN Ind (position 13) will have a value of '0'.
 - ii. Tax year field will have a value of 2004 in columns 269 through 272.
- c. Recipient "Q" Record:

Recipient's Country Code in columns 338-339 will have a value of EDB1118 if the recipient has a foreign address. This field will be blank for domestic address (if a state code is entered in positions 334-335).

Program Changes

Now we look into a brief description of the changes of the batch programs.

PP1042ST

PP1042ST is a program used for annual 1042 reporting to the IRS. It is designed to be called by the program PP1042S to produce 1042 tape file. There are 3 types of calls:

1. Initial - This call opens 1042 tape file, builds the 'T' record and writes it to the file.
2. Employee - One call of 'Q' type is made for each employee record to be written to tax tape.
3. Final - This call writes the final 'W' and 'Y' records and closes the tape file.

This program is changed to populate the newly added Record Sequence Number field for all record type ("T", "W", "Q", "C", and "F") records. In the "Q" record, Recipient's Country Code field will have a value of Foreign Country code if the recipient has a foreign address and blank if the recipient has a domestic address. Also in the Transmitter "T" Record, the newly added Prior Year Indicator field will have a value of blank.

Copylib Member Updates

CPWS142T

The following changes will be done to the CPWS142T copylib member:

A new field **T-PRIOR-YEAR-INDICATOR** is added at position 199 (length 1). Also a new field **T-RECORD-SEQ-NUMBER** is added at position 771 through 778 for storing the number of the 'T' record as it appears within the tape file. The changes are as shown below:

```
05  T-RECORD.
    10  T-RECORD-CODE          PIC X(01)      VALUE 'T'.
    10  T-PAYMENT-YEAR.
        15  T-PAY-CENTURY      PIC 9(02).
        15  T-PAY-YEAR        PIC 9(02).

... more fields here

    10  T-TEST-INDICATOR      PIC X(04)      VALUE SPACES.
    10  T-PRIOR-YEAR-INDICATOR PIC X(01)      VALUE SPACES.
        88  T-CURRENT-YEAR-REPORTING      VALUE SPACES.
        88  T-PRIOR-YEAR-REPORTING      VALUE 'P'.
    10  T-RESERVED          PIC X(580)      VALUE SPACES.
    10  T-RESERVED          PIC X(571)      VALUE SPACES.
    10  T-RECORD-SEQ-NUMBER PIC 9(08).
    10  FILLER              PIC X(02)      VALUE SPACES.
```

The field **w-WITHHOLD-AGENT-IND** at position 13 is initialized with a value of '0' instead of '1' earlier. Also a new field **w-RECORD-SEQ-NUMBER** is added at position 771 through 778 for storing the number of the 'W' record as it appears within the tape file. The changes are as shown below:

```
05  W-RECORD.
    10  W-RECORD-CODE          PIC X(01)      VALUE 'W'.
    10  W-RETURN-TYPE-IND      PIC X(01).
    10  W-PRO-RATA-BASIS      PIC X(01)      VALUE '0'.
    10  W-WITHHOLD-AGENT-ID    PIC 9(09).
    10  W-WITHHOLD-AGENT-IND PIC X(01)      VALUE '1'.
    10  W-WITHHOLD-AGENT-IND PIC X(01)      VALUE '0'.
    10  W-WITHHOLD-AGENT-NAME  PIC X(40).

... more fields here

    10  W-WITHHOLD-FINAL-RTN-IND PIC X(01)      VALUE '0'.
    10  W-RESERVED          PIC X(485)      VALUE SPACES.
    10  W-RESERVED          PIC X(477)      VALUE SPACES.
    10  W-RECORD-SEQ-NUMBER PIC 9(08).
    10  FILLER              PIC X(02)      VALUE SPACES.
```

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A new field **Q-RECORD-SEQ-NUMBER** is added at position 771 through 778 for storing the number of the 'Q' record as it appears within the tape file as shown below:

```
05 Q-RECORD.  
 10 Q-RECORD-CODE          PIC X(01)    VALUE 'Q'.  
 10 Q-EMPLOYEE-CORRECTION-ID PIC X(01).
```

... more fields here

```
 10 Q-SPECIAL-DATA-ENTRIES PIC X(21) VALUE SPACES.  
10 Q-RESERVED             PIC X(18) VALUE SPACES.  
 10 Q-RESERVED             PIC X(10) VALUE SPACES.  
 10 Q-RECORD-SEQ-NUMBER   PIC 9(08).  
 10 FILLER                 PIC X(02) VALUE SPACES.
```

A new field **C-RECORD-SEQ-NUMBER** is added at position 771 through 778 for storing the number of the 'C' record as it appears within the tape file as shown below:

```
05 C-RECORD.  
 10 C-RECORD-CODE          PIC X(01)    VALUE 'C'.  
 10 C-RECORD-Q-COUNT       PIC 9(8).  
 10 C-FILLER-1             PIC X(6)     VALUE SPACES.  
 10 C-RECORD-Q-GROSS-TOTAL PIC 9(15).  
 10 C-RECORD-Q-FWT-TAX-TOTAL PIC 9(15).  
10 C-FILLER-2             PIC X(733)   VALUE SPACES.  
 10 C-FILLER-2             PIC X(725)   VALUE SPACES.  
 10 C-RECORD-SEQ-NUMBER   PIC 9(08).  
 10 FILLER                 PIC X(02)   VALUE SPACES.
```

A new field **F-RECORD-SEQ-NUMBER** is added at position 771 through 778 for storing the number of the 'F' record as it appears within the tape file as shown below:

```
05 F-RECORD.  
 10 F-RECORD-CODE          PIC X(01)    VALUE 'F'.  
 10 F-WITHHOLD-AGENT-COUNT PIC 9(03).  
 10 F-REEL-COUNT           PIC 9(03).  
10 F-RESERVED             PIC X(771)   VALUE SPACE.  
 10 F-RESERVED             PIC X(763)   VALUE SPACE.  
 10 F-RECORD-SEQ-NUMBER   PIC 9(08).  
 10 FILLER                 PIC X(02)   VALUE SPACES.
```

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Forms

The laser printed Form 1042-S will be modified to change the year from 2003 to 2004.

The sample form is shown in Appendix A.

Appendix A- Form 2004 1042-S

Form 1042-S		Foreign Person's U.S. Source Income Subject to Withholding				2004		Copy B <small>for</small> Recipient	
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED <input type="checkbox"/> PRO-RATA BASIS REPORTING							
Line	01 Payer code	02 Gross income	03 Withholding allowance	04 Net income	05 Tax name	06 Exempt code	07 U.S. Federal tax withheld	08 Amount paid to recipient	
1	15	5,000.35	500.90	4,499.45	04.00	00	179.98		
2	19	60.50			0	00	0		
3	Total	5,060.85	500.90	4,499.45			179.98		
9 Withholding agent's EIN > 94-6002123 <input checked="" type="checkbox"/> EIN <input type="checkbox"/> QI-EIN				14 Recipient's U.S. TIN, if any > 975-55-5010 <input type="checkbox"/> SSN or ITIN <input checked="" type="checkbox"/> EIN <input type="checkbox"/> QI-EIN					
10 WITHHOLDING AGENT'S name and address (including ZIP code) UC OFFICE OF THE PRESIDENT 1111 FRANKLIN ST, 8TH FLOOR OAKLAND CA 94607-5201				15 RECIPIENT'S country of residence for tax purposes CANADA				16 Country code CA	
11 Recipient's account number (optional) 977888888				12 Recipient's zip 01		17 NONRESIDENT INTERPOLARY RIN (not FLOW THROUGH ENTITY'S TIN)			
13 Recipient's address (including postal code) BARRY TONE 10 ENGLISH LIT VICTORIA NORTHWEST CANA CANADA V5P 5U5				18 Recipient's address 10 ENGLISH LIT VICTORIA NORTHWEST CANA CANADA V5P 5U5					
				19 Recipient's TIN, if any >		20 PAYER's name and TIN (if different from withholding agent's)			
				21 State income tax withheld		22 Payer's state tax id. 123-4567-8		23 Name of state CA	

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Form 1042-S		Foreign Person's U.S. Source Income Subject to Withholding				2004		Copy C <small>for</small> Recipient Attach to any Federal tax return you file	
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED <input type="checkbox"/> PRO-RATA BASIS REPORTING							
Line	01 Payer code	02 Gross income	03 Withholding allowance	04 Net income	05 Tax name	06 Exempt code	07 U.S. Federal tax withheld	08 Amount paid to recipient	
1	15	5,000.35	500.90	4,499.45	04.00	00	179.98		
2	19	60.50			0	00	0		
3	Total	5,060.85	500.90	4,499.45			179.98		
9 Withholding agent's EIN > 94-6002123 <input checked="" type="checkbox"/> EIN <input type="checkbox"/> QI-EIN				14 Recipient's U.S. TIN, if any > 975-55-5010 <input type="checkbox"/> SSN or ITIN <input checked="" type="checkbox"/> EIN <input type="checkbox"/> QI-EIN					
10 WITHHOLDING AGENT'S name and address (including ZIP code) UC OFFICE OF THE PRESIDENT 1111 FRANKLIN ST, 8TH FLOOR OAKLAND CA 94607-5201				15 RECIPIENT'S country of residence for tax purposes CANADA				16 Country code CA	
11 Recipient's account number (optional) 977888888				12 Recipient's zip 01		17 NONRESIDENT INTERPOLARY RIN (not FLOW THROUGH ENTITY'S TIN)			
13 Recipient's address (including postal code) BARRY TONE 10 ENGLISH LIT VICTORIA NORTHWEST CANA CANADA V5P 5U5				18 Recipient's address 10 ENGLISH LIT VICTORIA NORTHWEST CANA CANADA V5P 5U5					
				19 Recipient's TIN, if any >		20 PAYER's name and TIN (if different from withholding agent's)			
				21 State income tax withheld		22 Payer's state tax id. 123-4567-8		23 Name of state CA	

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