

**Annual Withholding Tax Return for  
U.S. Source Income of Foreign Persons**  
▶ See instructions.

**2001**

If this is an amended return, check here  ▶

Name of withholding agent	Employer identification number	<b>For IRS Use Only</b>			
Number, street, and room or suite no. (if a P.O. box, see instructions)		CC	FD		
		RD	FF		
City or town, state, and ZIP code		CAF	FP		
		CR	I		
		EDC		SIC	

If you will not be liable for returns in the future, check here  Enter date final income paid ▶ .....

Check here if you made quarter-monthly deposits using the 90% rule (see **Deposit Requirements** in the instructions) ▶

Check if you are a QI/Withholding foreign partnership or trust  or an NQI/Flow-through entity  (See instructions.)

**Record of Federal Tax Liability  
(Do not show Federal tax deposits here.)**

Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)	Line No.	Period ending	Tax liability for period (including any taxes assumed on Form(s) 1000)
1	Jan.	7	21	May	7	41	Sept.	7
2		15	22		15	42		15
3		22	23		22	43		22
4		31	24		31	44		30
5	Jan. total		25	May total		45	Sept. total	
6	Feb.	7	26	June	7	46	Oct.	7
7		15	27		15	47		15
8		22	28		22	48		22
9		28	29		30	49		31
10	Feb. total		30	June total		50	Oct. total	
11	Mar.	7	31	July	7	51	Nov.	7
12		15	32		15	52		15
13		22	33		22	53		22
14		31	34		31	54		30
15	Mar. total		35	July total		55	Nov. total	
16	Apr.	7	36	Aug.	7	56	Dec.	7
17		15	37		15	57		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 magnetic media ..... b On paper ..... c Electronically .....

62 For all Form(s) 1042-S and 1000: a Gross income paid ..... b Taxes withheld or assumed .....

63a Total tax liability (add monthly total lines from above) . . . . .	63a			
b Adjustments (see instructions) . . . . .	63b			
c Total net tax liability (combine lines 63a and 63b) . . . . . ▶			63c	
64 Total paid by Federal tax deposit coupons or by electronic funds transfer (or with a request for an extension of time to file) for 2001	64			
65 Enter overpayment applied as a credit from 2000 Form 1042 . . . . .	65			
66 Credit for amounts withheld by other withholding agents (see inst.)	66			
67 Total payments. Add lines 64 through 66 . . . . . ▶			67	
68 If line 63c is larger than line 67, enter balance due here . . . . .			68	
69 If line 67 is larger than line 63c, enter overpayment here . . . . .			69	
70 Penalty for failure to deposit tax when due. Also include on line 68 or line 69 (see instructions)			70	
71 Apply overpayment on line 69 to (check one): <input type="checkbox"/> Credit on 2002 Form 1042 or <input type="checkbox"/> Refund				

<b>Sign Here</b>	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 ▶	
<b>Paid Preparer's Use Only</b>	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code			EIN ▶
				Phone no.

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Changes To Note

- **QI and NQI checkboxes.** Check one of these boxes to identify yourself as a (a) qualified intermediary (QI), withholding foreign partnership, withholding foreign trust, or U.S. branch treated as a U.S. person; or (b) nonqualified intermediary (NQI) or flow-through entity. See **QI and NQI checkboxes** on page 3 for more information.
- **Line 66.** You may use this new line to claim any credit you are entitled to for amounts withheld by other withholding agents.
- **Line 70.** You may use this new line to report the amount owed for the penalty for failure to deposit tax when due.
- Old Part II of this form has been deleted. You must now use new **Form 1042-T**, Annual Summary and Transmittal of Forms 1042-S, to transmit paper Forms 1042-S.

### Purpose of Form

Use Form 1042 to report tax withheld on certain income of nonresident aliens, foreign partnerships, foreign corporations, and nonresident alien or foreign fiduciaries of estates or trusts.

### Who Must File

Every U.S. withholding agent or intermediary who receives, controls, has custody of, disposes of, or pays any fixed or determinable annual or periodical income must file an annual return for the preceding calendar year on Form 1042. Certain Canadian withholding agents must also file an annual return on Form 1042 (see below).

You must file Form 1042 if:

- You are required to file Form(s) 1042-S (whether or not any tax was withheld or was required to be withheld). File Form 1042 even if you file Forms 1042-S only on magnetic media or electronically.
- You pay gross investment income to foreign private foundations that are subject to tax under section 4948(a).

### Who Is a Withholding Agent

Any person required to withhold 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.

**Canadian withholding agent.** 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, 2002.

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

### Where and When To File

File Form 1042 with the Internal Revenue Service Center, Philadelphia, PA 19255, by March 15, 2002. Also send amended returns to this address. Use Form 1042-T to transmit paper Forms 1042-S.

**Extension of time to file.** If you need more time to file Form 1042, you may submit **Form 2758**, Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

Form 2758 **does not** extend the time for payment of tax.

### Additional Information

For details on withholding of tax, get **Pub. 515**, Withholding of Tax on Nonresident Aliens and Foreign Entities, by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS Web Site at [www.irs.gov](http://www.irs.gov).

### Income Tax Withholding on Wages, Pensions, Annuities, and Certain Other Deferred Income

Use **Form 941**, Employer's Quarterly Federal Tax Return, to report social security and Medicare taxes, and any income tax withheld, on 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, these payments are subject to withholding under section 1441 and the tax withheld must be reported using Forms 1042 and 1042-S.

Use **Schedule H (Form 1040)**, Household Employment Taxes, 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 for these forms.

### Deposit Requirements

Generally, if you are not required to use the Electronic Federal Tax Payment System (EFTPS), you must deposit the tax withheld and required to be shown on Form 1042 with an authorized financial institution using your preprinted **Form 8109**, Federal Tax Deposit Coupon. Do not use anyone else's coupons. If you do not have your coupons when a deposit is due, call 1-800-829-1040 or contact your local IRS office. To avoid a penalty, **do not** mail your deposits directly to the IRS.

The amount of tax you are required to withhold determines the frequency of your deposits. The following rules explain how often deposits must be made.

**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 Saturdays, Sundays, legal holidays, or any local holidays observed by authorized financial institutions.

The deposit rules are considered met if:

- You deposit at least 90% of the actual tax liability for the deposit period **and**
- 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 at least \$200 but less than \$2,000,** you must deposit the taxes within 15 days after the end of the month. If you make a deposit of \$2,000 or more during any month **except December** under rule 1 above, carry over any end-of-the-month balance of less than \$2,000 to the next month. If you make a deposit of \$2,000 or more during December, any end-of-December balance of less than \$2,000 should be paid directly to the IRS along with your Form 1042 by March 15, 2002.

**3. If at the end of a calendar year the total amount of undeposited taxes is less than \$200,** you may either pay the taxes with your Form 1042 or deposit the entire amount by March 15, 2002.

**Note:** If you are requesting an extension of time to file using Form 2758, follow the rules on page 2 to see if you must make a deposit of any balance due or if you can pay it with Form 2758. See Form 2758 and its instructions for more information.

**Electronic deposit requirement.** You must make electronic deposits of all depository tax liabilities using the Electronic Federal Tax Payment System (EFTPS) in 2002 if:

- The total deposits of such taxes in 2000 were more than \$200,000 or
- You were required to use EFTPS in 2001.

If you are required to use EFTPS and fail to do so, you may be subject to a 10% penalty. If you are not required to use EFTPS, you may participate voluntarily. To enroll in or get more information about EFTPS, call 1-800-555-4477 or 1-800-945-8400. You may also visit [www.eftps.gov](http://www.eftps.gov).

**Depositing on time.** For deposits made by EFTPS to be on time, you must initiate the transaction at least one business day before the date the deposit is due.

**Completing Form 8109.** If you do not use EFTPS, deposit your income tax payments using Form 8109. In most cases, you will fill out a Form 8109 following the instructions 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. To ensure proper crediting, write your taxpayer identification number, the period to which the tax deposit applies, and "Form 1042" on the check or money order.

**Deposits by foreign corporations.** Fill in a preprinted 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:

Financial Agent  
Federal Tax Deposit Processing  
P.O. Box 970030  
St. Louis, MO 63197 U.S.A.

## Interest and Penalties

If you file Form 1042 late, or fail to pay or deposit the tax when due, you may be liable for penalties and interest unless you can show that the failure to file or pay was due to reasonable cause and not willful neglect.



**TIP** You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts can be complicated, we will do it for you if you want. We will send you a bill for any amount due.

If you include interest or penalties (other than the penalty for failure to deposit tax when due) with your payment, identify and enter the amount in the bottom margin of Form 1042, page 1. **Do not** include interest or penalties (other than the penalty for failure to deposit tax when due) in the **balance due** on line 68.

**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. Interest 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 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 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.

**4. Failure to deposit tax when due.** See the instructions for line 70 on page 4.

**5. Other penalties.** Penalties may be imposed for negligence, substantial understatement of tax, and fraud. See sections 6662 and 6663.

## Specific Instructions

**Note:** File **only one** Form 1042 consolidating all Form 1042-S recipient information, regardless of the number of different clients, branches, divisions, or types of income for which you are the withholding agent. However, if you are acting in more than one capacity (for example, you are acting as a QI for certain designated accounts and as an NQI for other accounts), file a separate Form 1042 for each capacity in which you are acting.

**Employer identification number (EIN).** You are required to enter your EIN. However, if you are filing Form 1042 as a QI, withholding foreign partnership, or withholding foreign trust, enter your

QI-EIN. Also, be sure to check the "QI/Withholding foreign partnership or trust" box. See **QI and NQI checkboxes** below.

If you do not have an EIN, you should apply for one on **Form SS-4**, Application for Employer Identification Number. You can get Form SS-4 by calling 1-800-TAX-FORM (1-800-829-3676). You can also download it from the IRS Web Site at [www.irs.gov](http://www.irs.gov). If the withholding agent has not received its EIN by the time the return is due, write "Applied for" in the space for the EIN.

**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.

**QI and NQI checkboxes.** See the instructions for Form 1042-S for definitions of intermediary, qualified intermediary (QI), nonqualified intermediary (NQI), withholding foreign partnership, withholding foreign trust, U.S. branch treated as a U.S. person, and flow-through entity.

Check the "QI/Withholding foreign partnership" box on page 1 if you are a QI, a withholding foreign partnership, a withholding foreign trust, or a U.S. branch treated as a U.S. person. Check the "NQI/Flow-through entity" box if you are an NQI or a flow-through entity.

**Lines 1 through 60.** Do not enter any negative amounts on these lines.

If you are a QI that did not assume primary withholding responsibility, enter the total amount withheld by the U.S. withholding agent(s) on line 59. Report all other amounts (that is, amounts you actually withheld) on the line that corresponds with the date the liability was incurred.

**Line 62a and 62b.** Enter the amounts requested with respect to **all** Forms 1042-S (regardless of whether the form was filed on magnetic media, on paper, or electronically) and with respect to **all** Forms 1000, Ownership Certificate.

**Line 62a.** The amount on line 62a should equal the sum of all amounts shown on Forms 1042-S, box 2, and all amounts shown as gross interest paid on Forms 1000.

**Line 62b.** The amount on line 62b should equal:

- The sum of all Forms 1042-S, box 7, less
- The sum of all Forms 1042-S, box 8, plus
- The tax assumed from Forms 1000.

If it does not, attach a statement to Form 1042 explaining the difference.

**Line 63a.** The amount on line 63a must equal the sum of the monthly totals as listed on the Record of Federal Tax Liability. Do not make any adjustments on this line. Except for adjustments described in the instructions for line 63b, you may only make adjustments on the appropriate entry line in the Tax Liability column of the Record of Federal Tax Liability.

**Line 63b.** If you are a regulated investment company (RIC) or a real estate investment trust (REIT) that has paid a dividend in January subject to section 852(b)(7) or section 857(b)(9) (relating to certain dividends declared in the preceding October, November, or December), enter your additional tax liability on those dividends declared in 2001 but paid in January 2002 **less** any additional tax liability on those dividends declared in 2000 but paid in January 2001. Show any negative amount in brackets. Attach a statement showing your calculation.

**Line 66.** If you are a QI, withholding foreign partnership, withholding foreign trust, or U.S. branch treated as a U.S. person, you are permitted to take a credit for amounts withheld by other withholding agents that pertain to the total net tax liability reported on line 63c. For example, you are a QI and the amount you entered on line 63c includes amounts withheld by a U.S. withholding agent. You may take a credit on line 66 for the amounts that were withheld by the U.S. withholding agent.

**Lines 69 and 71.** You may claim an overpayment shown on line 69 as a refund or a credit. Check the applicable box on line 71 to show which you are claiming. If you claim a credit, it can reduce your required deposits of withheld tax for 2002.

**Line 70.** 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. Add the penalty to any tax due and enter the total on line 68. If you are due a refund, subtract the penalty from the overpayment you show on line 69.



*Because this penalty calculation is complicated, if you want to, you can leave line 70 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill.*

**Caution:** Be sure to reconcile amounts on Form 1042 with amounts on Forms 1042-S (including Forms 1042-S filed on magnetic media and electronically), to avoid unnecessary correspondence with the IRS.

## Amended Return

If you have to make changes to your Form 1042 after you submit it, file an amended Form 1042. Use a Form 1042 for the year you are amending. Check the "Amended Return" box at the top of the form. You must complete the entire form, including all filing information for the calendar year, and sign the return. Attach a statement explaining why you are filing an amended return (for example, you are filing because the tax liability for May was incorrectly reported due to a mathematical error).

If you are also amending Form(s) 1042-S, see **Correcting Paper Forms 1042-S** in the Form 1042-S instructions.

Do not amend Form 1042 to recover taxes overwithheld in the prior year. For more information, see **Adjustment for Overwithholding** in Pub. 515.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Sections 1441, 1442, and 1446 require withholding agents to report and pay over to the IRS taxes withheld from

certain U.S. source income of foreign persons. Form 1042 is used to report the amount of withholding that must be paid over. Form 1042-S is used to report the amount of income and withholding to the payee. Section 6109 requires you to provide your employer identification number. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also give the information to foreign countries pursuant to tax treaties. If you fail to provide this information in a timely manner, you may be liable for penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 9 hr., 48 min.; **Learning about the law or the form**, 2 hr., 8 min.; **Preparing the form**, 4 hr., 14 min.; and **Copying, assembling, and sending the form to the IRS**, 32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the form to this address. Instead, see **Where and When To File** on page 2.

