

Memo

Date: August 20, 2025

To: Agency Payroll, Accounting and Human Resources Staff

From: Mary Muellner, Co-Director, Statewide Payroll Services
Katie Karow, Co-Director, Statewide Payroll Services

RE: Special Situations When Hiring a Nonresident Alien

This memo provides guidance on special payroll procedures for nonresident alien (NRA) employees authorized to work in the U.S. under specific visa types. Please review the following information carefully and ensure compliance when processing payroll for these employees.

FICA Exemption for Certain Visa Types

Employees who are nonresident aliens and authorized to work in the U.S. may be **exempt from Social Security and Medicare (FICA) taxes** if they are present under the following visa types:

- **F-1** – Student
- **J-1** – Exchange Visitor
- **M-1** – Non-Academic or Vocational Student
- **Q** – Cultural Exchange Visitor

Among the visa types eligible for FICA exemption, F-1 (Student) and J-1 (Exchange Visitor) are the most common within the State of Minnesota.

Agency Action Steps

To determine FICA exemption eligibility, submit **all** of the following documents to PayrollTax.MMB@state.mn.us

Required Documentation:

- Copy of Visa
- Unexpired Foreign Passport
- Form I-94 indicating nonimmigrant status
- Social Security Card
- Form I-20 with endorsement for employment (F-1 students)
- Tax Residency Status Form
- Employer Authorization Card (if issued and non-expired)

Upon document review and approval from MMB Statewide Payroll Staff:

- Update **FICA Status** in the employee's job record from **Subject** to **Exempt** (this will stop Social Security and Medicare from being withheld). Any current year Social Security and Medicare taxes withheld prior to receiving documentation will be refunded to the employee within two pay periods. Social Security or Medicare taxes withheld in prior calendar year(s) will require issuing a W-2C. Employees will receive the tax refund once we receive the funds from the IRS.
- Update **Retirement Code** to **AN**. Employees exempt from FICA due to visa status are **not eligible** for state retirement participation.

Note: Any retirement deductions taken will be refunded by the retirement agency.

Tax Treaty Exemptions (IRS Publication 901)

Employees from certain countries may be eligible for tax treaty benefits under **IRS Publication 901**. [IRS Publication 901, U.S. Tax Treaties](#) includes country-specific information on reduced rates or exemptions from tax based upon the tax treaty.

If eligible:

- The employee must complete [Form 8233](#) and submit **three (3) copies** to your agency.
- Each copy must include:
 - All supporting attachments
 - Sufficient justification for exemption

Once reviewed and approved by Minnesota Management and Budget:

- One copy is sent to the **IRS**
- One copy is returned to the **employee**
- One copy is retained by **Statewide Payroll Services**

Note on the approval process: Agency staff for Minnesota State may be the 'Withholding Agent' signer in place of MMB.

Totalization Agreements

The United States has **Social Security Totalization Agreements** with several countries to prevent dual taxation. In most cases, employees working in the U.S. under these agreements will still be subject to U.S. Social Security taxes on U.S.-sourced income. See [U.S. International Social Security Agreements](#) for more information.

Questions?

Agency Payroll, HR, and Accounting staff with questions should contact Statewide Payroll Services at PayrollTax.MMB@state.mn.us

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF