



The following is a summary of the filing requirements for Form 1042 and Form 1042-S. ***Please read this letter carefully and in its entirety.***

Form 1042 is an annual tax return that withholding agents use to report U.S. source income paid to foreign persons and the tax withheld on those payments.

Form 1042-S is an information return used to report U.S. source income paid to foreign persons, even if no tax was withheld due to a tax treaty or exemption.

Forms 1042 and 1042-S are due on an annual basis, with both forms due to the IRS **by March 16, 2026**. You may request an automatic six-month extension to file Form 1042 by submitting Form 7004, and an automatic 30-day extension to file Form 1042-S with the IRS by submitting Form 8809. Form 7004 does not extend the time for payment of tax. IRS imposes penalties (see Penalties below) for non-compliance or incomplete information. To avoid penalties, begin gathering information early so the forms can be filed accurately and on time.

Annual Form 1042

If your business makes payments of U.S. source fixed, determinable, annual, or periodical (FDAP) income to any foreign person (as defined below), you are required to file Form 1042 and Form 1042-S. Payments to a foreign person must be reported, regardless of the withholding amount.

Foreign person: A foreign person includes a nonresident alien individual, a foreign corporation, a foreign partnership, a foreign trust, a foreign estate, and any other person that is not a U.S. person.

The following items are examples of FDAP income:

- Interest (e.g., bank interest, portfolio interest, and interest from US government obligations)
- Original issue discount
- Dividends
- Grants, prizes, and awards
- Compensation for personal services performed in the U.S.

Information Required for Form 1042-S

Form 1042-S requires detailed information about both the recipient of U.S.-sourced income and the withholding agent (payer), along with specific details about the income itself and any related tax withholding. If the recipient fails to provide the required information, there is a default **30% withholding** tax imposed on U.S.-source income payments made to foreign persons.

Deposit Requirements

The amount of tax you are required to withhold determines the frequency of your deposits. A withholding agent is required to deposit taxes withheld by the due dates indicated in the table below. The deposit tax can be made either via [IRS Direct Pay](#) or the [Electronic Federal Tax Payment System \(EFTPS\)](#).



Undeposited Taxes	Due Dates
\$2,000 or more	Within 3 business days after the end of the period (7th, 15th, 22nd, and last day of each month)
\$200 to \$1,999	Within 15 days after the end of the month
Less than \$200	March 16, 2026 (for the tax year 2025)

Electronic Filing Requirements

Beginning for tax year 2023 (Forms 1042 filed in 2024), electronic filing requirements apply to Form 1042. A withholding agent that is not a financial institution is required to file Forms 1042-S electronically if it is either required to file at least 10 information returns during the year or is a partnership with more than 100 partners.

Penalties

Form 1042 penalties include a 5% monthly charge on unpaid taxes for late filing, up to 25%. Form 1042-S penalties apply for late filing with the IRS or late furnishing to recipients, ranging from \$60 to \$680 per form.

To help you determine whether you need to file Form 1042, we have compiled a list of typical questions:

1. Who must file Form 1042?

Any person or entity, U.S. or foreign, that acts as a withholding agent and is required to file Form 1042-S for payments of U.S. source income to foreign persons must file IRS Form 1042, regardless of whether any tax was withheld during the year.

2. Which payments to a foreign person must be reported on Form 1042-S?

U.S. source income, including interest, dividends, rents, royalties, and compensation for services, paid to a foreign person must be reported.

3. Who must be reported on IRS Form 1042-S as a foreign person?

Foreign persons required to be reported on IRS Form 1042-S include nonresident alien individuals, foreign partnerships, foreign corporations, foreign estates and trusts, nonresident alien fiduciaries, certain intermediaries such as qualified intermediaries (QIs), withholding foreign partnerships (WPs), and withholding foreign trusts (WTs) when acting on behalf of foreign persons, as well as any payee presumed to be a foreign person under IRS presumption rules.

4. What documentation is required for foreign recipients?

A valid Form W-8 (BEN, BEN-E, EXP, IMY, ECI) is generally required to establish foreign status and claim any applicable treaty benefits. If not provided, additional information must be collected.

We can assist you in preparing Form 1042 and 1042-S on your behalf. In that regard, please contact us.