

A COMPREHENSIVE COMPLIANCE GUIDE

PAYROLL SERVICES FOR **NONRESIDENT** EMPLOYEES

How to Comply with FICA Exemptions for OPT and CPT
Nonresident F-1 Students Working in the United States

\$7,650

ANNUAL PER-EMPLOYEE
SAVINGS OPPORTUNITY

7.65%

FICA RATE – EMPLOYER &
EMPLOYEE EACH

5 YRS

EXEMPTION WINDOW UNDER THE
CALENDAR-YEAR RULE

TABLE OF CONTENTS

EXECUTIVE OVERVIEW

- Executive Summary: The \$7,650 Opportunity

LEGAL FRAMEWORK & DEFINITIONS

- Understanding Nonresident Alien Status for Tax Purposes
- Resident Alien vs. Nonresident Alien
- The Exempt Individual Exception for F-1 Students
- The Statutory Basis – IRC Section 3121(b)(19)
- Eligible Visa Categories

OPT & CPT PROGRAMS

- What Are OPT and CPT?
- Optional Practical Training (OPT)
- Curricular Practical Training (CPT)
- The Statutory Basis – IRC Section 3121(b)(19)
- Eligible Visa Categories

THE FICA EXEMPTION

- The FICA Exemption Explained
- The Financial Impact
- The Five-Year Residency Threshold
- How the Five-Year Count Works & Why It Matters for Payroll

PAYROLL CONFIGURATION & COMPLIANCE

- Setting Up Payroll Correctly
- Document Verification · W-4 NRA Requirement
- Tax Withholding Configuration · Form W-2 & Form 941 Reporting
- Common Payroll Mistakes and Their Consequences

REFUND RECOVERY & ADVANCED TOPICS

- The Refund Recovery Process – Pathways A & B
- STEM OPT Extension: Additional Considerations
- Tax Treaty Considerations
- State Tax Considerations

TABLE OF CONTENTS

BEST PRACTICES, FAQ & THE ACCUPAY ADVANTAGE

- Best Practices for Employers
- Quick-Reference Compliance Checklist
- Frequently Asked Questions
- The AccuPay Advantage · Who We Are · What Sets AccuPay Apart
- Conclusion: Take Control of Your International Payroll

OVERVIEW

EXECUTIVE SUMMARY: THE \$7,650 OPPORTUNITY

For most U.S. employers, hiring a new employee involves a standard set of tax assumptions: 6.2% for Social Security and 1.45% for Medicare, collectively known as FICA taxes, are withheld from the employee and matched by the employer. However, for companies hiring international talent on **F-1, J-1, M-1, or Q-1** visas, these assumptions are not only incorrect—they are expensive.

As of 2026, the combined FICA rate remains **7.65%** on the first **\$184,500** of wages. For a STEM OPT engineer earning **\$100,000**, failing to apply the FICA exemption results in an annual overpayment of **\$7,650** by the employer and an equal amount by the employee. Over a three-year STEM OPT term, that is nearly **\$23,000** in lost capital per employee. For a company with ten qualifying employees at similar salary levels, the cumulative cost of errors can exceed **\$150,000**.

THE REAL COST OF GETTING IT WRONG

The consequences extend beyond money. Employers overpay their share of FICA taxes. Employees receive inaccurate paychecks. Quarterly and annual tax filings contain errors. And when these mistakes go undetected for months or years, the process of recovering overpaid taxes becomes complex, time-consuming, and costly.

This guide provides a technical roadmap for HR directors, CFOs, and payroll managers to master every aspect of OPT and CPT payroll compliance. Whether you are hiring your first F-1 employee or managing a workforce of dozens, this guide will walk you through the legal framework, the practical steps, and the common pitfalls—so you can get payroll right from day one.

Understanding Nonresident Alien Status for Tax Purposes

Before addressing FICA exemptions, it is essential to understand how the IRS classifies foreign nationals for tax purposes. The distinction between a resident alien and a nonresident alien determines not only income tax obligations but also whether an individual is subject to Social Security and Medicare taxes.

Resident Alien vs. Nonresident Alien

The IRS uses two primary tests to determine an individual's tax residency status:

- **The Green Card Test:** An individual who has been granted lawful permanent resident status (a "green card") at any point during the calendar year is considered a resident alien for that entire year.
- **The Substantial Presence Test:** An individual who does not hold a green card may still be classified as a resident alien if they meet the Substantial Presence Test, which is based on the number of days physically present in the United States over a three-year period

The Substantial Presence Test formula counts all days present in the current year, one-third of the days present in the preceding year, and one-sixth of the days present in the year before that. If the total equals or exceeds 183 days, the individual is treated as a resident alien for the current year.

The Exempt Individual Exception for F-1 Students

Critically, F-1 visa holders are classified as "exempt individuals" for purposes of the Substantial Presence Test during their **first five calendar years** in the United States. This means their days of physical presence during those years do not count toward the 183-day threshold. As a result, most F-1 students remain nonresident aliens for their first five calendar years, regardless of how many days per year they are physically present in the country.

This classification is the foundation of the FICA exemption: as long as an F-1 student is a nonresident alien, their wages are exempt from Social Security and Medicare taxes under IRC Section 3121(b)(19).

THE STATUTORY BASIS

THE STATUTORY BASIS & ELIGIBLE VISA CATEGORIES

Section 3121(b)(19) of the Internal Revenue Code specifies that service performed by a nonresident alien individual who is temporarily present in the United States as a nonimmigrant under sections (F), (J), (M), or (Q) of the Immigration and Nationality Act is exempt from FICA taxes.

● TO QUALIFY FOR THE EXEMPTION, THE EMPLOYEE MUST BE:

A Nonresident Alien (NRA):	This is a tax status, not an immigration status
Present under a qualifying visa:	Specifically F-1 (academic students), J-1 (exchange visitors), M-1 (vocational students), or Q-1 (cultural exchange).
Performing authorized work:	The services must be in accordance with the primary purpose of the visa, such as Optional Practical Training (OPT) or Curricular Practical Training (CPT)

IMPORTANT – DEPENDENTS

Dependents on F-2, J-2, or M-2 visas are not exempt from FICA taxes, even if they obtain their own work authorization. The exemption applies only to the primary visa holder.

IMPORTANT – DEPENDENTS

The five-year count uses calendar years, not consecutive 365-day periods. A student who arrives in August of Year 1 has that partial year count as their first calendar year. This distinction affects when the exemption expires and must be tracked precisely.

What Are OPT and CPT?

OPT and CPT are the two primary employment authorization programs available to F-1 students. Understanding the differences between them is important for employers because both programs carry specific compliance requirements.

Optional Practical Training (OPT)

OPT is a temporary employment authorization granted by U.S. Citizenship and Immigration Services (USCIS) that allows F-1 students to work in a position directly related to their field of study. OPT is available in two forms:

- **Pre-Completion OPT:** Authorized while the student is still enrolled in their academic program. Students on pre-completion OPT may work part-time (up to 20 hours per week) during the academic year and full-time during annual breaks.
- **Post-Completion OPT:** Authorized after the student completes their academic program. Post-completion OPT allows full-time employment for up to 12 months.

Students in certain approved STEM (Science, Technology, Engineering, and Mathematics) fields may apply for a 24-month STEM OPT extension, bringing the total post-completion OPT period to 36 months. STEM OPT extensions carry additional employer obligations, including a formal training plan (Form I-983) and specific wage and working condition requirements.

Curricular Practical Training (CPT)

CPT is an employment authorization that is part of an F-1 student's established curriculum. Unlike OPT, CPT is authorized directly by the student's Designated School Official (DSO) and does not require USCIS approval. CPT may be full-time or part-time, but the employment must be an integral part of the student's academic program—such as a required internship, cooperative education placement, or practicum.

From a payroll perspective, the FICA exemption rules apply identically to employees working under both OPT and CPT authorizations, provided the employee remains a nonresident alien for tax purposes.

THE FICA EXEMPTION

THE FICA EXEMPTION EXPLAINED

FICA taxes consist of two components, each shared equally between the employee and the employer:

TAX COMPONENT	EMPLOYEE SHARE	EMPLOYER SHARE
Social Security (OASDI)	6.2%	6.2%
Medicare	1.45%	1.45%
COMBINED FICA	7.65%	7.65%

Under IRC Section 3121(b)(19), services performed by a nonresident alien on an F-1, J-1, M-1, or Q-1 visa are exempt from FICA taxes, provided the services are performed in accordance with the conditions of the individual's visa status. For F-1 students on OPT or CPT, this means that both the employee's 7.65% share and the employer's 7.65% share of FICA taxes should not be withheld or paid.

The Financial Impact

The savings are substantial. Consider an F-1 employee earning \$100,000 per year:

SAVINGS CATEGORY	ANNUAL AMOUNT
Employee FICA savings (7.65%)	\$7,650.00
Employer FICA savings (7.65%)	\$7,650.00
TOTAL ANNUAL SAVINGS PER EMPLOYEE	\$15,300.00

For employers with multiple nonresident alien employees, the cumulative savings—and the cumulative cost of errors—can be significant. A company with 20 STEM OPT hires earning an average of \$120,000 could save more than \$180,000 per year in employer-side FICA alone.

NOTE – 2026 WAGE BASE

The Social Security wage base for 2026 is \$184,500. The Medicare tax of 1.45% applies to all wages with no cap. An Additional Medicare Tax of 0.9% applies to wages exceeding \$200,000.

The Five-Year Residency Threshold

The FICA exemption for F-1 students is not permanent. It is directly tied to the individual's nonresident alien status, which in most cases expires after the first five calendar years of U.S. presence.

How the Five-Year Count Works

The IRS counts calendar years, not 365-day periods. Any part of a calendar year in which the student is present in the United States counts as a full calendar year for this purpose.

Example: A student who arrives in the United States on August 15, 2020, begins their calendar year count as follows:

- Year 1: 2020 (even though only present from August onward)
- Year 2: 2021
- Year 3: 2022
- Year 4: 2023
- Year 5: 2024

Beginning January 1, 2025, this individual's days in the U.S. begin counting toward the Substantial Presence Test. If they meet the 183-day threshold (which is virtually certain for a full-time employee), they become a resident alien for tax purposes in 2025 and are no longer exempt from FICA.

THE CALENDAR YEAR TRAP

If a student arrived in the U.S. on December 30, 2023, that counts as their first full calendar year. Their five-year exemption period would end on December 31, 2027, even though they have only been physically present for four years and two days. Payroll systems must track the actual arrival date, not just the hire date.

Why This Matters for Payroll

Employers must track the five-year threshold for each nonresident alien employee and ensure that FICA withholding resumes at the correct time. Failing to begin FICA withholding after the exemption period expires creates a different type of compliance problem—potential penalties for underwithholding federal employment taxes.

This is one of the most common areas where payroll providers fail. Without automated tracking systems configured to the individual employee's U.S. entry date, the transition from exempt to subject status is easily missed.

PAYROLL CONFIGURATION

SETTING UP PAYROLL CORRECTLY

Hiring a nonresident alien employee on OPT or CPT involves several specific compliance steps that go beyond standard employee onboarding. Employers must be diligent at every stage.

Document Verification

Employers must complete Form I-9 (Employment Eligibility Verification) for all new hires, including F-1 students. For OPT employees, acceptable documents typically include the Employment Authorization Document (EAD card) issued by USCIS. For CPT employees, the I-20 form with the CPT authorization endorsement from the DSO serves as the primary documentation.

The W-4 NRA Requirement

Nonresident aliens must follow specific instructions when completing Form W-4. They generally:

- Must check "Single" or "Married filing separately" regardless of actual marital status.
 - Cannot claim "Exempt" from federal income tax withholding.
 - Must write "NRA" or "Nonresident Alien" in the space below Step 4(c).
- Cannot claim the standard deduction on Form W-4 unless they
- are residents of Canada, Mexico, South Korea, or India (countries with applicable tax treaty provisions).

Work Authorization Documentation

- **For OPT:** Authorization is evidenced by the Employment Authorization Document (EAD).
- **For CPT:** Authorization is found on Page 2 of the Form I-20.
- **State and Local Taxes:** State income tax rules vary. Nonresident aliens are generally subject to state income tax in the state where they work, though the rules and rates differ by jurisdiction.
- **Expiration Tracking:** Configure the payroll system with the employee's U.S. entry date and set an automated alert or expiration date for the FICA exemption based on the five-calendar-year rule.

Tax Withholding Configuration

When configuring your payroll system for a nonresident alien employee, the following steps are critical:

- **FICA Exemption:** Disable Social Security and Medicare withholding for the employee. Ensure that the employer's matching share is also excluded from filings.
- **Federal Income Tax:** Nonresident aliens are subject to federal income tax withholding but must use specific rules. Withholding is generally calculated using the "Single" filing status.
- **State and Local Taxes:** State income tax rules vary. Nonresident aliens are generally subject to state income tax in the state where they work, though the rules and rates differ by jurisdiction.
- **Expiration Tracking:** Configure the payroll system with the employee's U.S. entry date and set an automated alert or expiration date for the FICA exemption based on the five-calendar-year rule.

Form W-2 Reporting

At year-end, employers must issue a Form W-2 to each nonresident alien employee. For employees who were FICA-exempt for the entire year, Boxes 3, 4, 5, and 6 of the W-2 (which report Social Security wages, Social Security tax withheld, Medicare wages, and Medicare tax withheld) should be zero or blank. Any amounts in these boxes indicate an error that should be corrected before filing.

Quarterly Tax Filing (Form 941)

Exempt wages must be correctly excluded from the Social Security and Medicare wage bases reported on the employer's quarterly Form 941. Errors here create mismatches between the W-2s and the 941 filings, which can trigger IRS inquiries.

COMPLIANCE PITFALLS

COMMON PAYROLL MISTAKES AND THEIR CONSEQUENCES

Despite the relatively clear IRS rules, payroll errors involving nonresident alien employees are extremely common. The following are the most frequent mistakes employers and payroll providers make.

MISTAKE 1: WITHHOLDING FICA FROM DAY ONE

This is the most common error. The payroll system is set up using standard employee defaults, and FICA is withheld from the first paycheck. Neither the employer nor the employee may realize the error for months or even years.

MISTAKE 2: FAILING TO TRACK THE FIVE-YEAR THRESHOLD

Even when FICA exemption is initially configured correctly, many payroll systems lack the ability to automatically transition an employee from exempt to subject status when the five-year period expires. This results in either continued incorrect exemption (creating underwithholding risk) or manual processes that are easily forgotten.

MISTAKE 3: APPLYING THE EXEMPTION TO RESIDENT ALIENS

Not all foreign nationals are nonresident aliens. An F-1 student who has been in the United States for more than five calendar years and meets the Substantial Presence Test is a resident alien—and is fully subject to FICA. Similarly, F-1 students who have changed to H-1B status are generally subject to FICA regardless of how long they have been in the country.

MISTAKE 4: INCORRECTLY APPLYING THE EXEMPTION TO H-1B VISA HOLDERS

H-1B visa holders are not exempt from FICA, even if they are nonresident aliens. The FICA exemption under IRC Section 3121(b) (19) applies only to specific visa categories—primarily F-1, J-1, M-1, and Q-1. Employers who confuse visa categories risk significant compliance errors.

MISTAKE 5: FILING INCORRECT QUARTERLY RETURNS

When FICA is incorrectly withheld, the corresponding quarterly Form 941 filings will overstate Social Security and Medicare wages and taxes. Correcting these filings requires amended returns (Form 941-X) for each affected quarter, which can be administratively burdensome and may trigger additional IRS scrutiny.

ACCUPAY INSIGHT

At AccuPay, we have found that "Big Payroll" providers (ADP, Paychex, Gusto, etc.) almost never track the five-year transition. They either tax the student from day one (costing the employer 7.65% unnecessarily) or never start taxing them (creating a massive audit liability).

ERROR CORRECTION & RECOVERY

THE REFUND RECOVERY PROCESS

If your company has been incorrectly withholding FICA taxes from nonresident alien employees, the good news is that the overpaid taxes can be recovered. However, the process requires careful documentation and timely action. There are two primary pathways depending on your situation.

Pathway A: The Employer-Level Correction

The quickest and most efficient way to recover overpaid taxes is through the employer who withheld them. This is the recommended path and is a standard part of the AccuPay onboarding process.

1. IDENTIFY THE ERROR

Conduct a thorough review of all current and former nonresident alien employees. For each employee, determine their visa category, U.S. entry date, and the periods during which FICA was incorrectly withheld.

2. CALCULATE THE OVERPAYMENT

For each affected employee and each affected quarter, calculate the total amount of Social Security and Medicare taxes that were incorrectly withheld, both the employee's share and the employer's share.

3. FILE AMENDED RETURNS

The employer must file Form 941-X (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund) for each affected quarter. The 941-X allows the employer to claim a refund or apply the overpayment as a credit against future tax liabilities.

4. REFUND THE EMPLOYEE

The employer is responsible for refunding the employee's share of the overpaid FICA taxes. The IRS requires that the employer repay the employee before or at the same time the employer claims its own refund. The employer must obtain a written statement from each affected employee confirming that they have not separately filed a claim for refund of the same taxes.

5. CORRECT W-2 FORMS

For each affected tax year, the employer must issue corrected W-2c forms reflecting the accurate Social Security and Medicare wages and withholding amounts. The corrected W-2c must be provided to the employee and filed with the Social Security Administration.

STATUTE OF LIMITATIONS

The employer generally has three years from the date the original return was filed (or two years from the date the tax was paid, whichever is later) to file Form 941-X and claim a refund. For older overpayments, the window may have already closed. Time is critical.

Pathway B: The Employee-Level IRS Direct Claim

If the employer is unable or unwilling to provide a refund, a common occurrence with large payroll providers, the employee can file a claim directly with the IRS. The employer should provide a written statement explaining their refusal, as this document is critical for the employee's filing.

Hiring a nonresident alien employee on OPT or CPT involves several specific compliance steps that go beyond standard employee onboarding. Employers must be diligent at every stage.

Required IRS Forms

- **Form 843 (Claim for Refund and Request for Abatement):** This is the primary document used to claim a refund of taxes other than income tax.
- **Form 8316 (Information Regarding Request for Refund of Social Security Tax Erroneously Withheld):** This form is specifically for nonresident aliens on F, J, or M visas to provide additional details about their work authorization and why the employer did not issue the refund.

The Documentation Package

The IRS requires a complete package to avoid rejection. This includes:

- **Proof of Withholding:** A copy of the original Form W-2.
- **Proof of Identity and Status:** Copies of the passport biographical page, the visa stamp, and the Form I-94 (Arrival/Departure Record).
- **Proof of Work Authorization:** For those on OPT, a copy of the Employment Authorization Document (EAD); for those on CPT, Page 2 of the Form I-20.
- **Evidence of Effort:** The written statement from the employer refusing the refund or, if unobtainable, the employee's own statement detailing their unsuccessful attempts to get a refund.

ADVANCED CONSIDERATIONS

STEM OPT EXTENSION: ADDITIONAL CONSIDERATIONS

For employers in technical sectors, the STEM OPT extension is a vital tool for retaining specialized talent. However, the 24-month extension creates a longer window of authorized employment and, in many cases, introduces additional complexity to FICA compliance because the duration often pushes the employee past the "nonresident alien" tax boundary.

The Residency Flip

A student who completes a four-year undergraduate degree in the U.S. has already "used" four of their five exempt calendar years. If they then begin a three-year stint (12 months of initial OPT plus a 24-month STEM extension), they will transition from a nonresident alien (exempt from FICA) to a resident alien (subject to FICA) exactly on January 1st of their sixth calendar year in the country.

The FICA exemption continues to apply during the STEM OPT extension period, as long as the employee remains a nonresident alien. However, because the STEM extension can last up to 36 months total, it is common for the five-year calendar year limit to expire while the employee is still on STEM OPT. Employers must monitor this transition carefully and begin FICA withholding at the appropriate time.

Employer Obligations Under STEM OPT

- **Form I-983 Training Plan:** Employers must complete and sign a formal training plan that describes the STEM training objectives, the employer's commitment to providing training, and how the training relates to the student's STEM degree. This form must be submitted to the student's DSO.
- **Wage and Working Conditions:** Employers must attest that the STEM OPT employee will be paid commensurate wages—meaning the salary must be comparable to what a similarly situated U.S. worker would earn. Employers may not use STEM OPT workers to replace or undercut U.S. workers.
- **Reporting Obligations:** Employers must report material changes in the student's employment, including changes in compensation, job title, or work location, within five business days. Annual evaluations of the training plan are also required.
- **E-Verify Enrollment:** Employers offering STEM OPT positions must be enrolled in E-Verify.

IMPORTANT REPORTING TIMELINE

Many companies fail to synchronize their DSO reporting with their payroll tax status. If you certify to a school that a student is on a STEM extension but your payroll system treats them as a standard domestic hire, you create a trail of inconsistent data that can be flagged during a Department of Labor (DOL) or IRS audit.

Tax Treaty Considerations

The United States has income tax treaties with numerous countries that may affect the tax obligations of nonresident alien employees. While FICA exemptions are governed by the IRC (not by treaties), certain treaty provisions can affect federal income tax withholding.

For example, some treaties provide additional exemptions or reduced tax rates for students, trainees, or researchers from specific countries. Employees who wish to claim treaty benefits must file Form 8233 (Exemption From Withholding on Compensation for Independent and Certain Dependent Personal Services of a Nonresident Alien Individual) with their employer.

Employers should be aware that treaty benefits are separate from the FICA exemption. An employee may qualify for both a treaty-based income tax reduction and the FICA exemption, or for one but not the other, depending on their specific circumstances. When in doubt, consult a qualified tax professional or work with a payroll provider experienced in nonresident alien taxation.

State Tax Considerations

While the FICA exemption is a federal tax provision, employers must also navigate state-level tax requirements for nonresident alien employees. State rules vary significantly:

- **State Income Tax:** Most states impose income tax on wages earned within the state, regardless of the employee's immigration or residency status. However, nine states (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming) have no state income tax or tax only investment income.
- **State Unemployment Tax (SUI):** In most states, nonresident alien employees on F-1 visas are exempt from SUI tax contributions during their nonresident alien period. However, the specific rules vary by state, and some states do not follow the federal exemption.
- **State Disability Insurance (SDI):** States with mandatory disability insurance programs (such as California, New Jersey, New York, Hawaii, and Rhode Island) may or may not exempt nonresident aliens. Employers must verify the applicable state rules.

KEY DISTINCTION – FEDERAL VS. STATE

The FICA exemption applies specifically to federal Social Security and Medicare taxes. Most states (including California) do not recognize the federal FICA exemption for state disability insurance (SDI) or state unemployment insurance (SUI). Getting state taxation right requires attention to the specific jurisdiction.

HR COMPLIANCE

BEST PRACTICES AND HR COMPLIANCE CHECKLIST

The following best practices will help employers maintain compliance, protect their employees, and avoid costly errors.

Best Practices for Employers

- **Document U.S. Entry Dates:** Collect and record the employee's date of first entry to the United States on an F-1 visa. This is the starting point for the five-calendar-year exemption calculation.

Confirm the employee's current visa category (F-1, H-1B, etc.) and employment authorization type (OPT, CPT, STEM OPT). Do not assume that all foreign national employees qualify for the FICA exemption.
- **Verify Visa Status at Hire:** Confirm the employee's current visa category (F-1, H-1B, etc.) and employment authorization type (OPT, CPT, STEM OPT). Do not assume that all foreign national employees qualify for the FICA exemption.
- **Configure Payroll Correctly from Day One:** Set up the FICA exemption in your payroll system before the first paycheck is processed. Retroactive corrections are always more difficult than getting it right from the start.
- **Automate Expiration Tracking:** Use a payroll system that supports automatic expiration dates for FICA exemptions. The system should trigger an alert or automatically resume FICA withholding when the five-year period expires.
- **Monitor Visa Status Changes:** If an employee changes visa status (for example, from F-1 to H-1B), FICA withholding must generally begin immediately. Track and respond to status changes promptly.
- **Review W-2s Before Year-End Filing:** Audit all nonresident alien employee W-2s before submitting them to the Social Security Administration. Verify that Boxes 3 through 6 are accurate.
- **Conduct Annual Compliance Reviews:** At least once per year, review your nonresident alien employee roster, verify that FICA exemptions are correctly applied, and confirm that no employees have passed the five-year threshold without a corresponding payroll update.
- **Work with a Specialized Payroll Provider:** General-purpose payroll platforms may not support the specific configuration and tracking required for nonresident alien payroll. A specialized provider can automate exemptions, manage expiration tracking, and ensure accurate filings.

Quick-Reference Compliance Checklist

Before your next pay run, verify these four pillars of OPT and CPT payroll compliance:

- ✓ **Visa Check:** Is the employee on an F-1, J-1, M-1, or Q-1 visa?
- ✓ **Status Check:** Is the employee still within their first five calendar years of U.S. presence?
- ✓ **W-4 Check:** Is the W-4 marked "Single" with the "NRA" notation?
- ✓ **Software Check:** Has your payroll provider explicitly disabled FICA withholding for this specific employee record?

CLIENT QUESTIONS ANSWERED

FREQUENTLY ASKED QUESTIONS

To help you navigate the daily realities of OPT and CPT payroll compliance, we've compiled the most common questions from our clients.

1. DOES THE FICA EXEMPTION APPLY TO STATE AND LOCAL TAXES?

No. The FICA exemption applies specifically to federal Social Security and Medicare taxes. Most states (including California) do not recognize the federal FICA exemption for state disability insurance (SDI) or state unemployment insurance (SUI).

2. WHAT HAPPENS IF AN EMPLOYEE CHANGES FROM F-1 TO H-1B STATUS?

The moment an employee's status changes to H-1B, they are no longer exempt from FICA, regardless of how many years they have been in the U.S. The exemption is strictly tied to the F, J, M, or Q visa categories.

3. CAN WE GET A REFUND FOR THE CURRENT TAX YEAR WITHOUT FILING WITH THE IRS?

Yes. If you catch the error in the same calendar year it occurred, you can adjust your quarterly Form 941 and refund the employee directly. This is the fastest way to resolve the issue and is a standard part of the AccuPay onboarding process.

4. WHAT IF THE EMPLOYEE HAS A SOCIAL SECURITY NUMBER (SSN)? DOES THAT MAKE THEM SUBJECT TO FICA?

No. Having an SSN is a requirement for working in the U.S. but it does not dictate tax residency. A nonresident alien on OPT must have an SSN to be on your payroll, but they remain exempt from FICA for their first five calendar years.

5. WHY DO THE "BIG 3" PAYROLL COMPANIES SAY THEY CAN'T DO THIS?

Because it doesn't scale for them. Handling FICA exemptions requires tracking individual U.S. entry dates and manual adjustments to tax profiles. Large providers rely on mass automation that treats all employees under a single EIN with the same set of rules.

6. CAN AN EMPLOYEE CLAIM TREATY BENEFITS AND THE FICA EXEMPTION AT THE SAME TIME?

Yes. Treaty benefits (which reduce federal income tax withholding) and the FICA exemption (which eliminates Social Security and Medicare withholding) are separate provisions. An employee may qualify for both, one, or neither depending on their country of origin, visa type, and residency status.

WHY ACCUPAY

THE ACCUPAY ADVANTAGE

Most payroll giants view OPT and CPT compliance as a "nuisance" area because the Total Addressable Market is relatively small. They rarely invest in the specialized talent needed to manage these corrections. At AccuPay, we turn this "nuisance" into a competitive advantage for our clients.

Who We Are

AccuPay Systems is a payroll and HR services company based in Temecula, California, with over 15 years of experience serving commercial businesses, government agencies, municipalities, charter schools, and election workers. We are an 8(a) certified Small Disadvantaged Business and Minority Business Enterprise (MBE), and we serve clients nationwide using the iSolved HCM platform.

What uniquely qualifies AccuPay to manage payroll for nonresident alien employees is that our founder, Felix Mwanja, was himself once on OPT. He experienced the challenges of the nonresident alien tax system firsthand—and built AccuPay's processes and expertise around solving these exact problems for employers and their international employees.

Who We Are

DEEP, SPECIALIZED EXPERTISE

We understand F-1 payroll compliance at a level that national providers cannot match. This is not a side offering for us—it is a core competency.

AUDIT-PROOF COMPLIANCE

We maintain a digital vault of I-20s, EAD cards, and I-94s, making any future audit a "push-button" event rather than a weeks-long scramble.

AUTOMATED FICA EXEMPTION MANAGEMENT

We configure your payroll with system-level expiration dates tied to each employee's U.S. entry date. When the exemption period ends, taxation resets automatically.

90-DAY DOUBLE MONEY-BACK GUARANTEE

We are so confident in our compliance results that every engagement is backed by our 90-Day Double Money-Back Satisfaction Guarantee. We stand behind our work completely.

THE FORENSIC PAYROLL AUDIT

We don't just start your payroll; we look back. Our "look-back" service analyzes previous tax years to identify FICA overpayments that may have gone unnoticed by prior providers, then we correct errors and amend returns quickly and affordably.

AFFORDABLE, LONG-TERM PARTNERSHIP

We price our services competitively because we know that our value is in the long-term relationship. We retain clients through quality, not contracts.

DIRECT, PERSONAL SUPPORT

No phone trees. No ticket queues. You reach a real person who understands the issue—by phone, email, or Zoom. We are experienced working with international employees and are patient and respectful with diverse accents and communication styles.

CONCLUSION

TAKE CONTROL OF YOUR INTERNATIONAL PAYROLL

OPT and CPT payroll compliance shouldn't be a source of anxiety. The rules governing FICA exemptions for F-1 students are well-established, but they require precise implementation—the right payroll configuration, the right tracking systems, and the right expertise to manage transitions, corrections, and filings accurately.

Most employers do not have this expertise in-house, and most general-purpose payroll providers do not invest in building it. The result is widespread overpayment of FICA taxes, compliance exposure, and employee frustration.

By understanding the "Five-Year Rule," capturing the 7.65% employer match, and maintaining "audit-proof" documentation, you can turn your international hiring program into a major financial asset.

AccuPay Systems exists to solve this problem. We combine deep firsthand knowledge of the nonresident alien experience with proven payroll systems, automated compliance tools, and responsive human support. Whether you are hiring your first OPT employee, correcting years of payroll errors, or looking for a future-proof system that automates your compliance, we are here to help.

90-DAY DOUBLE MONEY-BACK GUARANTEE

We are so confident in our compliance results that every engagement is backed by our 90-Day Double Money-Back Satisfaction Guarantee. We stand behind our work completely.

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