

# The Virgin Islands Consortium

## Contractors and Employers Urged to Adhere to Backup Withholding Rules for Workers Without Social Security Numbers

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The V.I. Bureau of Internal Revenue has issued a reminder to contractors and employers regarding the backup withholding requirements for casual laborers or employees without a valid Social Security number.

All contractors and employers hiring individuals without valid Social Security numbers must withhold at least 24 percent of the gross payment amount and submit it to the Bureau of Internal Revenue on behalf of those workers and employees, according to BIR Director Joel Lee.

Payments that could be subject to backup withholding include, but are not limited to, interest, dividends, rents, royalties, commissions, fees, and non-employee compensation. Withheld payments are reported on Form 1099 MISC or Form 1099 NEC issued to the employees at the end of the year, the bureau said. These payments are then remitted to BIR using Form 1042-S, Form 1042-T, and the annual reporting on Form 1042.

Contractors and employers are responsible for withholding taxes and paying the withheld taxes to the Bureau for workers, employees, independent contractors, or casual laborers who fail to provide a valid Social Security number upon employment. Failure to comply with these provisions may result in the taxes required to be withheld being collected from the contractor or employer, in accordance with the Internal Revenue Code, as mirrored in the Virgin Islands.

For any questions concerning backup withholding, contact the Office of Chief Counsel at (340) 714-9310.