

## Contract Coverage Under Title II of the Social Security Act

Department of the Treasury  
Internal Revenue Service

**For use by an American employer to extend social security coverage to  
U.S. citizens and resident aliens employed by its foreign affiliates.**

**File three copies  
of this form**

Name of American employer	Employer identification number : :
Address number and street (P.O. Box if no mail delivery to street address)	Apt. or suite no.
City, state, and ZIP code	

This Form 2032 is filed as (check applicable box(es)):

- 1**  An original (new) agreement.  
 This agreement is effective for services performed on and after (for original agreements only, check one):
- a**  The first day of the calendar quarter in which the submission processing field director signs this agreement.  
**b**  The first day of the calendar quarter following the calendar quarter in which the submission processing field director signs this agreement.
- 2**  An amendment to an agreement previously entered into.  
**3**  An election to apply the rules in effect after April 20, 1983, to agreements in effect on that date. By making this election, U.S. resident aliens as well as U.S. citizens will be covered by social security.

If this is an amended election or agreement, provide the following information:

\_\_\_\_\_ on \_\_\_\_\_  
(Location where previous Form 2032 was filed) (Date submission processing field director signed original agreement on Form 2032)

**4** This agreement extends the federal insurance system under Title II of the Social Security Act to certain services performed outside the United States by U.S. citizens and resident aliens employed by any of the foreign affiliates listed below. For an amendment to an agreement without making the election to apply the post-April 20, 1983 rules, this amendment extends Title II social security coverage to certain services performed outside the United States by U.S. citizens employed by any of the foreign affiliates listed below.

**Note.** Enter foreign affiliate addresses below in the following order: city, province or state, and country. Do not abbreviate the country name, and follow the country's practice for entering the postal code. If this agreement includes more than four foreign affiliates, attach a separate sheet of paper identified as part of this agreement with the name and address of each additional foreign affiliate.

<b>a</b> Name and address of foreign affiliate	<b>c</b> Name and address of foreign affiliate
<b>b</b> Name and address of foreign affiliate	<b>d</b> Name and address of foreign affiliate

**5** Estimated number of employees to be initially covered by this agreement, amendment, or election:

Nonagricultural employees ► \_\_\_\_\_ Agricultural employees ► \_\_\_\_\_

This agreement applies to all services performed outside the United States by each U.S. citizen or resident alien employed by any of the foreign affiliates named. However, the agreement applies only to the extent that payments to each employee for the services would be considered wages if paid by the employer for services performed in the United States. This agreement does not apply to any service that is considered employment for purposes of the employee tax and the employer tax under the Federal Insurance Contributions Act.

For an original agreement, an amendment to an agreement that was entered into after April 20, 1983, or an election to apply the rules in effect after April 20, 1983, to agreements in effect on that date, the American employer declares that it owns at least a 10% interest (directly or through one or more entities) in the voting stock or profits of each foreign entity named above. It also declares that section 3121(l) does not prevent this agreement.

For an amendment to an agreement in effect on April 20, 1983, without making the election to apply the new rules in effect after that date, the domestic corporation declares that **(a)** it owns at least 20% of the voting stock of each foreign corporation named above, or **(b)** it owns at least 20% of the voting stock of a foreign corporation that owns more than 50% of the voting stock of each foreign corporation named above. It also declares that section 3121(l) does not prevent this agreement.

The American employer agrees:

1. To pay amounts equal to the taxes that would be imposed by sections 3101 and 3111 if the payment for the services was considered wages;
2. To pay, on written notification and demand, amounts equal to the interest, additions to taxes, and penalties that would apply if the payment for the services were considered wages; and
3. To comply with the applicable regulations under section 3121(l).

This agreement (or amended agreement or election) is entered into under the provisions of section 3121(l) of the Internal Revenue Code and the applicable regulations.

Signature of individual authorized to enter into this agreement for the American employer	Title	Date
Field Director, Submission Processing	Location	Date

## What's New

The addresses for filing Form 2032 have changed. See *Where To File* below.

## General Instructions

Section references are to the Internal Revenue Code.

Before April 21, 1983, only domestic corporations could enter into this agreement to cover only U.S. citizens employed by foreign subsidiaries. For this agreement, a foreign subsidiary was defined as a foreign corporation in which:

- at least 20% of the voting stock was owned by the domestic corporation, or
- more than 50% of the voting stock was owned by another foreign corporation in which the domestic corporation owned at least 20% of the voting stock.

After April 20, 1983, any American employer (no longer limited to a domestic corporation) can enter into this agreement to cover U.S. resident aliens as well as U.S. citizens employed by a foreign affiliate. For this agreement, a foreign affiliate is any foreign entity (no longer limited to a foreign corporation) in which the American employer owns at least a 10% interest in the voting stock or profits. This interest must be owned directly or through one or more entities.

A domestic corporation having an agreement in effect that was entered into before April 21, 1983, can elect to apply the post-April 20, 1983 rules to such agreements. If a domestic corporation makes this election, social security coverage will be extended to U.S. resident alien employees of any foreign subsidiary for which U.S. citizens are currently covered by an existing agreement. In addition, the election allows a domestic corporation to extend social security and Medicare coverage to U.S. citizens and resident aliens employed by a foreign entity that did not qualify for coverage under the old 20% ownership rules, but that now qualifies under the 10% ownership rules.

**Note.** The United States has social security (totalization) agreements with specific countries. These agreements ensure that social security taxes are paid to only one country. However, these agreements may affect the withholding requirements resulting from filing Form 2032. For more information, see Social Security and Medicare Taxes in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.

**Purpose of form.** An American employer uses this form to:

- Enter into the agreement specified in 3121(l) to extend coverage under Title II of the Social Security Act to U.S. citizens and resident aliens abroad by foreign affiliates,
- Amend a previous agreement, or
- Elect to apply the rules in effect after April 20, 1983, to agreements in effect on that date.

For this agreement, an American employer is an employer that is:

- The United States or any instrumentality thereof,
- An individual who is a resident of the United States,
- A partnership if two-thirds or more of the partners are residents of the United States,
- A trust if all the trustees are residents of the United States, or
- A corporation organized under the laws of the United States or of any state.

## Where To File

Send three copies of this form to:

Internal Revenue Service  
Ogden, UT 84201-0023

An American employer already filing Form 941, Employer's Quarterly Federal Tax Return, should file Form 2032 with the Internal Revenue Service where the employer files Form 941 (generally their principal place of business). For electronic Form 941 filers, send Form 2032 to Internal Revenue Service, Cincinnati, OH 45999-0038. Enter on Form 2032 the employer identification number (EIN) as shown on Form 941. This will help the IRS process your form faster.

## Completing Form 2032

Complete Form 2032 in triplicate. Each copy of the form must be signed and dated by the individual authorized to enter into the agreement, amendment, or election. Attach to each form evidence showing the authority for such individual to sign the form. For example, corporations must include a certified copy of the minutes of the board of directors' meeting.

After the director signs and dates the form, it constitutes the agreement, amendment, or election authorized by section 3121(l). The IRS will return one copy of Form 2032 to the American employer, send one copy to the Social Security Administration, and keep one copy with all related papers.

**Original agreements.** Check the box on line 1. Also check the applicable box on line 1a or b to designate when the agreement will take effect.

**Amending agreements.** You may amend an agreement at any time to extend coverage to any foreign affiliate not covered by an existing agreement. File Form 2032 in triplicate, and check the box on line 2. If you amend an agreement entered into on or before April 20, 1983, without making the election to apply the rules in effect after that date, the agreement and amendments will continue to be governed by the rules in effect before April 21, 1983.

**Effective date.** If you file an amendment to an agreement on Form 2032 to include foreign affiliates not previously covered, and if the field director signs the amendment during the quarter for which the original agreement is first effective or during the first month following that quarter, the amendment will be effective as of the effective date of the original agreement. But if the amendment is signed by the field director after the end of the 4th month for which the original agreement is in effect, the amendment will not be effective until the first day of the quarter following the one in which the field director signed the amendment.

**Election to apply post-April 20, 1983 rules.** A domestic corporation having an agreement in effect that was entered into before April 21, 1983 (old agreement), may elect to have the rules in effect after April 20, 1983, apply to the old agreement. File Form 2032 in triplicate, and check the box on line 3.

If you make this election, it will be effective for all foreign entities covered by the agreement. By making the election, U.S. resident alien employees as well as U.S. citizen employees will be covered by the agreement.

To extend coverage to any foreign affiliate not covered by an agreement, indicate the name and address of the foreign affiliate on line 4 and check the box on line 2 for the amended agreement, and the box on line 3 for the election.

**Effective date.** Generally, the election will be effective on the day following the quarter in which the election is signed by the field director.

## No Termination of Agreement

Once you enter into an agreement, you cannot terminate it, either in its entirety or with respect to any foreign affiliate. However, the agreement will terminate for a foreign entity at the end of any quarter in which the foreign entity, at any time in that quarter, ceased to be your foreign affiliate.

**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. We need it to figure and collect the right amount of tax. Section 6109 requires you to provide your taxpayer identification number (SSN or EIN). Section 3121 of the Internal Revenue Code allows employees of foreign affiliates to be covered under social security. Routine uses of this information include giving it to the Social Security Administration for use in calculating social security benefits, 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 disclose this information to federal and state agencies to enforce federal nontax criminal laws and to combat terrorism. We may also give the information to foreign countries under tax treaties. If you want this coverage, you are required to give us this information. If you fail to provide this information in a timely manner, or you provide incorrect or fraudulent information, you may be denied this coverage and 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 this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 4 hr., 46 min.; **Learning about the law or the form**, 35 min.; **Preparing and sending the form to the IRS**, 42 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: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send Form 2032 to this address. Instead, see *Where To File* above.

