

Making Payments to Non-Resident Aliens (NRA) and Foreign Visitors

International Tax Office (ITO)
University Payroll



CONTACT INFORMATION

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<http://www.vanderbilt.edu/gss/index.php>

<http://www.vanderbilt.edu/gss/international-tax/>

- We transferred to HR/Payroll in July 2016. We are currently working to transition our website information from GSS to the HR website.

What is a Non-Resident Alien??

Generally refers to any person who is **NOT** a U.S. citizen, U.S. national, asylee, refugee, or permanent resident (green card holder).

Non-resident aliens can also be referred to as non-immigrants. USCIS defines a non-immigrant as “an alien who is admitted to the United States for a specific, temporary period of time. There are clear conditions on their stay.”

USCIS – U. S. Citizenship and Immigration Services

Eligibility for Payment – Usual Academic Activity

The American Competitiveness Workforce Act of 1998 allows payment of honoraria and associated travel and incidental expenses to B-1, B-2, WB, and WT visa holders for "*usual academic activity*," if paid by an institution of higher education, a nonprofit organization affiliated with an institution of higher education, or a nonprofit or a governmental research organization.

B-1, B-2, WB, and WT visa holders may be paid an honorarium for usual academic activity *not exceeding nine days* in duration, provided that such individual has not received honoraria *from more than 5 educational institutions* in the previous *six-month period*. **This is referred to as the 9/5/6 Rule.**

**Canadian walkovers are considered to be in B visa status when entering the U.S. These visitors may or may not have an entry stamp.

Nonresident Aliens (NRA) and Foreign Visitors

USCIS regulations regarding payments to internationals

- B1 (Business)- preferred or B-2 (Tourist)
- F-1 or J-1– usually a VU student
- H1B sponsored by someone else – We cannot pay another sponsor’s H1B employee for services. It violates their immigration status.
- F-1 faculty/employee candidates O.K. to reimburse travel
- J-1 from another school – **MUST** have written permission on letterhead from the DSO (Designated School Official) of the other school **FIRST!** If the DSO says no – we cannot pay them. Your administrator/faculty member will be upset - not to mention your visitor. Does not represent VU well.

Travel? Lodging? Meals?

In order for Vanderbilt to pay for the travel expenses of an international guest, the guest has to provide the university with a service.

The IRS refers to this as the Accountable Plan ~

<http://www.irs.gov/Individuals/International-Taxpayers/Nonresident-Aliens-and-the-Accountable-Plan-Rules>

Travel reimbursements or prepaid arrangements are **NOT** taxable as long as they fall under the accountable plan.

The guest must “establish the business purpose and connection of the expenses.”

Travel Approval

- If you are booking travel for your international guest in Concur, you will be asked if you have spoken to the ITO for travel approval. When you contact us we will ask about your visitor, their purpose for visiting, what you are paying for, etc.
- We may also ask if they have submitted the BVQ and the documents listed at the bottom of the BVQ. Early submission of this information facilitates the payment process.

WHY do I need ITO Approval to Book Travel for an NRA??

- **Anything** that is paid TO or on BEHALF of an NRA is considered income by the IRS. This INCLUDES conference registration, hotel, meals, and all travel expenses.
- It also includes the \$500 travel grant that John Doe is awarded to offset his expenses.
- Is the travel a true VU business expense? Is the individual being asked to go and represent VU *or* is it for the personal, educational enrichment of the individual?
- If an NRA is in F,J, M, or Q status, this income is taxed at 14%. You are welcome to cover the tax, but you must provide us with an account code and center number to charge it to. At Vanderbilt we primarily have F-1 and J-1 students and scholars.

WHY do I need ITO Approval to Book Travel for an NRA?? (con't)

If the travel is being covered for a student, and the travel benefits **the student** and not Vanderbilt – it is subject to tax withholding and reporting to the IRS. This can be a current VU student, a student from another university, or a student recruit.

Concur should **not** be used to book travel for any of the above situations unless it is an extreme circumstance.

WHY do I need ITO Approval to Book Travel for an NRA?? (con't)

- The travel **reimbursement** process should be used in the cases where tax liability exists. Please contact the ITO for assistance and process explanation if the traveler cannot be reimbursed via check request. Please do not use GAR accounts or Super Saver travel for NRA students.
- Vanderbilt is required to report income of any sort, paid to or on behalf of an NRA to the IRS annually. We must have documentation on your international traveler in order to do that correctly.
- GAR – General Accounts Receivable

Required Documentation

Business Visitor Questionnaire (BVQ)

The BVQ is available here:

<https://forms.vanderbilt.edu/view.php?id=423108>

It should be completed by all international visitors to Vanderbilt if they are receiving a payment for services OR a travel reimbursement.

The BVQ should be completed before the business visitor arrives in the USA.

Visitor should also upload immigration documents requested at the time they submit the BVQ.

Why do they have to submit the BVQ?

The information given in the BVQ allows the ITO to:

- ❖ Determine if the visitor is in a visa status that allows the university to pay them
- ❖ Determine whether or not that payment is taxable
- ❖ Determine if the visitor potentially qualifies for treaty benefits
- ❖ Determine what tax forms need to be collected

Immigration Documentation Needed

- - Passport biographical data page
- - Visa page from passport or ESTA authorization
- - Entry stamp for this visit OR I-94 card (front and back). I-94 cards are no longer issued.
- - Any I-797 approval (if your current status is based on a change of status or extension of status filing)
- - I-20 (if you are in F-1 or F-2 status)
- - DS-2019 (if you are in J-1 or J-2 status)
- - EAD (if you are working based on an employment authorization document)

What is ESTA? A Visa Waiver?

ESTA - Electronic System for Travel Authorization

It is the automated tracking system for the Visa Waiver Program.

The Visa Waiver Program (VWP) allows foreign nationals from certain countries to be admitted to the U.S. under limited conditions and for a limited time **without** obtaining a visa. There is a time limit of 90 days or less for business (B-1) or pleasure (B-2).

<http://travel.state.gov/content/visas/en/visit/visa-waiver-program.html>

What countries participate?

38 countries currently in the program:

Andorra, Australia, Austria, Belgium, Brunei, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, the Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, and the United Kingdom

W-8 SERIES of FORMS

- The W8 series of forms was updated in 2014.
- The **W-8BEN** is now used exclusively for individuals.
- The W-8BEN-E is used for foreign entities.
- The international individual will complete Part I, possibly Part II, and sign and date Part III.
- Provided that there are no changes to the information on the form, it is valid for 3 years.
- Submission of this form does **not** eliminate taxation.

W-8BEN

This form is not used for treaty claims for personal service income. If your visitor does not have a SSN or ITIN they **cannot** elect treaty benefits.



Form W-8BEN (Rev. February 2014) Department of the Treasury Internal Revenue Service		Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) ▶ For use by individuals. Entities must use Form W-8BEN-E. ▶ Information about Form W-8BEN and its separate instructions is at www.irs.gov/formw8ben . ▶ Give this form to the withholding agent or payor. Do not send to the IRS.		OMB No. 1545-1621
Do NOT use this form if: <ul style="list-style-type: none"> You are NOT an individual You are a U.S. citizen or other U.S. person, including a resident alien individual You are a beneficial owner claiming that income is effectively connected with the conduct of trade or business within the U.S. (other than personal services) You are a beneficial owner who is receiving compensation for personal services performed in the United States A person acting as an intermediary 			Instead, use Form: <ul style="list-style-type: none"> W-8BEN-E W-9 W-8ECI 8233 or W-4 W-8IMY 	
Part I Identification of Beneficial Owner (see instructions)				
1 Name of individual who is the beneficial owner		2 Country of citizenship		
3 Permanent residence address (street, apt. or suite no., or rural route). Do not use a P.O. box or in-care-of address.				
City or town, state or province. Include postal code where appropriate.		Country		
4 Mailing address (if different from above)				
City or town, state or province. Include postal code where appropriate.		Country		
5 U.S. taxpayer identification number (SSN or ITIN), if required (see instructions)		6 Foreign tax identifying number (see instructions)		
7 Reference number(s) (see instructions)		8 Date of birth (MM-DD-YYYY) (see instructions)		
Part II Claim of Tax Treaty Benefits (for chapter 3 purposes only) (see instructions)				
9 I certify that the beneficial owner is a resident of _____ within the meaning of the income tax treaty between the United States and that country.				
10 Special rates and conditions (if applicable—see instructions): The beneficial owner is claiming the provisions of Article _____ of the treaty identified on line 9 above to claim a _____ % rate of withholding on (specify type of income): _____				
Explain the reasons the beneficial owner meets the terms of the treaty article: _____				
Part III Certification				
Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:				
<ul style="list-style-type: none"> I am the individual that is the beneficial owner (or am authorized to sign for the individual that is the beneficial owner) of all the income to which this form relates or am using this form to document myself as an individual that is an owner or account holder of a foreign financial institution, The person named on line 1 of this form is not a U.S. person, The income to which this form relates is: <ul style="list-style-type: none"> (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an applicable income tax treaty, or (c) the partner's share of a partnership's effectively connected income, The person named on line 1 of this form is a resident of the treaty country listed on line 9 of the form (if any) within the meaning of the income tax treaty between the United States and that country, and For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions. 				
Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner. I agree that I will submit a new form within 30 days if any certification made on this form becomes incorrect.				
Sign Here		Signature of beneficial owner (or individual authorized to sign for beneficial owner) _____ Date (MM-DD-YYYY) _____		
Print name of signor _____		Capacity in which acting (if form is not signed by beneficial owner) _____		
For Paperwork Reduction Act Notice, see separate instructions.		Cat. No. 25047Z		Form W-8BEN (Rev. 2-2014)

Honorarium Payments

Please let your visitor and your administrator/faculty member know that the IRS requires that we withhold **30%** of what you have offered to pay them – **up front**. This is not a Nancy rule, not a Vanderbilt rule – it is an IRS rule.

Your visitor can get the potential over-withholding refunded to them by filing a U.S. tax return in the following year.

VU uses a tax preparation software package that allows web access from anywhere in the world.

They will receive an email from the ITO with information regarding access to the system once they receive their 1042S from us.

If they do not have a U.S. SSN or ITIN at the time of filing, they will have to apply for an ITIN at the time they file their return.

Can we cover the tax?

Sure – This is referred to as “grossing up” the payment.
Please make sure this is noted on the check request form!

The math is not:

the honorarium amount + 30% of the honorarium amount

The math is: the honorarium amount divided by .7

For example – If the honorarium is \$1000 ~

Divide 1000 by .7 ~ that equals \$1428.57

$\$1428.57 \times .30 = \428.57 , which nets your visitor \$1000

$$1428.57 - 428.57 = 1000$$

IRS Regulations and Policies

- As stated previously - Vanderbilt will withhold 30% for federal taxes on most honorariums paid to international visitors.
- If services occur overseas, there are no U.S. tax implications.
- If your visitor has a U.S. SSN or ITIN, **and** we are given a minimum of 10 days to process before your international needs to be paid, granting treaty benefits may be possible – not a usual circumstance.
- If your visitor believes that they are entitled to a treaty benefit, they may be able to claim it on their U.S. tax return at the beginning of the next calendar year.
- VU will mail the visitor a 1042S (international equivalent of a 1099) in March of the following year. They can use this tax document to claim the treaty when they file their taxes.
- Other Income...**prizes/awards/subject participation payments** – these all require 30% withholding. Not a typo, 30%. The subject participation payment goes from \$195 to \$136.50.
- **PRIZES AND AWARDS INCLUDES GIFT CARDS!!** If you issue a gift card, you will need to provide an account number and cost center to charge the tax to!!

Non-resident Alien Service Payments Taking Place OUTSIDE the U.S.

- May need a contract – May require input from VU HR Consultant
- Need W-8BEN for individuals and W-8BEN-E for companies
- The ITO does not process payments to companies – contact the Disbursements Office for information regarding this process
- Need Statement of Services outside the U.S. form
- Payment request and contract must clearly state that work was performed outside the U.S.

- No Need for:
 - BVQ
 - SS# /ITIN/EIN
 - IRS-8233 (Tax Treaty Exemption Form)
 - Tax Withholding
 - Visa Classification Review

Check Request/Reimbursement Process

- Check Requests (CR) are always sent to Disbursements first. Include all receipts and evidence of the business purpose of the visit (invited speaker, conference, etc.).
- Disbursements will send all CR related to international business visitors to the ITO to be reviewed.
- If the ITO already has a BVQ, immigration documentation, and signed tax forms from your visitor, we can quickly complete our analysis and send the CR to the appropriate check issuance site (Disbursements or HR Processing) for payment to be made.

STIPENDS & EMPLOYMENT

- If you are awarding a stipend or hiring an international student to work, they will need to create a profile in GLACIER—the tax reporting software that Vanderbilt uses
- You will use the same form to request GLACIER access that is used to request a place holder number.
- The student will need to create their GLACIER profile, submit their immigration documentation, and submit their tax forms before we are able to send the stipend request form to payroll for processing.
- Stipends are considered a taxable scholarship (14% withholding if a treaty is not in place).
- For employment - if the student begins work before we are able to perform the appropriate tax analysis, they may have unnecessary taxes withheld.

THE STIPEND FORM

- <http://www.vanderbilt.edu/stipends/procedures/field-by-field.php>
- **You cannot assume that your student is a US person !!**



VANDERBILT
UNIVERSITY

Stipend Request Form

for Graduate/ Professional Students and Fellows only

Departmental Reference Number



Is the payee either a US Citizen or Permanent Resident? <i>If No, route the completed form to the International Tax Office for processing.</i>	YES	
	NO	

Is this payment service-free? <i>If service is required, use a PAF to process the request.</i>	YES	
	NO	

Payee Information


Requestor Information

The Stipend Form continued...

<http://www.vanderbilt.edu/stipends/procedures/field-by-field.php>

If US Citizen or Permanent Resident question is **NO**, leave **PAY GROUP** blank. The form will be reviewed by the International Tax Office and they will determine which pay group(SFS or TEN).

Payment Information		
ALL PAYMENTS ARE PROCESSED FOR THE LAST BUSINESS DAY OF THE MONTH		
Type of Request <i>(mark one box only)</i>	New	
	Change	
	Discontinue	
Pay Group		Amount



Payment Detail

PLACE HOLDER NUMBERS

DO NOT USE THIS FORM TO REQUEST A PHN FOR A VANDERBILT INTERNATIONAL STUDENT

- The Registrar's Office will use the student's Commodore ID As the National ID for any student that is admitted to the university that does not provide a SSN/ITIN upon admission.
- Multiple PHNs cause issues for the Systems Department and the student can get locked out of all systems that require a VUNetID.
- Please remember this number (the ITO assigned PHN) is for internal use only and not to be given to the individual that it is being requested for under any circumstance.

<https://forms.vanderbilt.edu/view.php?id=52474>

SSN or ITIN

- SSN – Required for work. Must wait 10 days after arriving before they go to the local office. SSA and the Department of Homeland Security (DHS) communicate with one another.
- ITIN – Individual Taxpayer Identification Number. Issued by the IRS. Not able to work with this number. IRS Form W-7 used to apply for ITIN. Can apply when they file their tax return. Difficult process to navigate.

How do you know?

- How are you determining who is an international and who is not?
- Are you asking questions? If so, what questions are you asking?

QUESTIONS???

