



Payments to Foreign Individuals

UNCW has many foreign national visitors, employees and students each year. Payments to a foreign national can be very complicated due to tax laws and regulations; it is strongly recommended that you contact the Accounts Payable Office or the Tax Compliance Office before making any payments to a foreign national. The taxability of payments made to nonresident aliens (NRA) depends on various immigration and tax treaty factors. An NRA's visa is one of the first criteria of whether or not a payment can be made and the taxability of that payment. There are many different types of visas, but the following are a list of the most frequent we have here at UNCW:

- ❖ WT Waiver of visa for tourism. No work authorization.
- ❖ WB Waiver of visa for business. No work authorization.
- ❖ F-1 Students. Work authorized under very limited circumstances.
- ❖ J-1 Exchange visitors, students, scholars, trainees, researchers. Work authorized under certain circumstances for the sponsoring institution as allowed by their sponsoring institution's program.
- ❖ H-1B Professional. Work authorized for the sponsoring employer. May only receive compensation as an employee.
- ❖ B-1 Business visitors. No work authorization. Eligible to receive honorarium and reimbursement for travel expenses in limited situations. Contact the Tax Compliance Office.
- ❖ B-2 Visitors for pleasure. No work authorization. Eligible to receive honorarium and reimbursement for travel expenses in limited situations. Contact the Tax Compliance Office.
- ❖ A-1 Diplomats and foreign government officials. No work authorization and they are ineligible to receive honorarium or travel reimbursements.
- ❖ G-1 Employees of international organizations. No work authorization and they are ineligible to receive honorarium or travel reimbursements.

All employees, temporary employees, and student employees are paid through the UNCW payroll office. Any withholding rates will vary depending on individual circumstances; you can contact the Payroll Department Manager at 962-7255 with any questions regarding payroll withholding rates or any payroll related issues.

Payments made to any other NRA's are typically paid through the UNCW's A/P office and must be approved by the Tax Compliance Office. Most of these payments are for individual personal services, honorariums, or travel reimbursements and will need to have the appropriate forms filled out and submitted before payment can be processed. If you have further questions about these types of payments or the forms needed for payment, you can contact the Accounts Payable Office at 962-3172 or the Tax Compliance Office at 962-2757. These types of payments to foreign nationals will be reported on Form 1042-S (NOT Form 1099).



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Individual Personal Services

Individual Personal services also known as Independent Contractor payments can also be paid to NRA's. If the services provided by the NRA were performed in the United States, then it is considered income from U. S. Sources and subject to withholding taxes and reporting to the IRS. If the services provided by the NRA were performed outside the United States, then it is not considered income from U. S. Sources and is not subject to withholding taxes or IRS reporting. The location where the services were performed determine the source of the income, does not matter where the contract was made, the place of payment, or the residence of the payer. UNCW must generally withhold tax at the standard IRS rate of 30% on compensation you pay to an NRA for individual personal services performed unless a tax treaty benefit applies. The NRA will also be subject to N.C. 4% withholding tax on any payment over \$1500.00 if applicable (see NC-30 for complete definition of this requirement). This type of service also includes honoraria paid by colleges and universities to visiting teachers, lecturers, and researchers. Both individual personal services and honorarium payments are also governed by the 9/5/6 rule.

Form 8233

If an NRA wants to claim a treaty benefit exemption from withholding, or reduced withholding of taxes if permitted by the tax treaty with their country they should contact the Tax Compliance Department at 962-2757 to set up an appointment to complete a Form 8233. If you are an NRA and a **UNCW employee** then you will need to set up an appointment with the Payroll Department Manager at 962-7255. These forms are computer generated; therefore an appointment will need to be set up. A valid U.S. social security number or a U.S. individual taxpayer identification number (ITIN) is required in order to use this form for a tax withholding treaty exemption. A tax treaty a country has with the U.S. if applicable, will only exempt or reduce tax withholding on payments received in the U.S. The NRA must also provide a copy of his/her visa or I-94. Please note that a valid U.S. SS# is **REQUIRED** to claim tax treaty benefits.

Without form 8233 filed, all required taxes must be withheld from all payments.

Travel Expenses

Generally, an NRA can be reimbursed for travel expenses if the payments are made under the accountable plan (in accordance with UNCW's travel policy) and are for business purposes. The NRA will need to submit all original travel receipts, i.e. airline tickets, train tickets, food receipts, etc., or they will not be reimbursed. Most payments for travel expenses are not reportable to the IRS and are not subject to NRA withholding taxes. We may not be paying the NRA an honorarium; however, they must qualify to receive an honorarium in order to receive a travel reimbursement if they are on any visa type other than B-1 or B-2. An approved Check



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Request with all original travel expense documents attached should be forwarded to the Tax Compliance Department for review and final processing.

Documents

Below is a list of helpful documents/information needed before paying a NRA:

- ❖ Name of NRA
- ❖ Copy of their visa showing the immigration entry stamp and/or I-94 issued by immigration
- ❖ NRA's country of residency
- ❖ Length of stay at UNCW
- ❖ Purpose of the NRA's visit
- ❖ Valid SS# required for treaty benefits

For additional information on Payments to Foreign Individuals please contact the Tax Department at extension 22757. (Resources: Windstar Crow's Nest, publication 519 US Tax Guide for Aliens, ACWIA)