Payments to Non-Resident Aliens
Agenda

• Payment Taxation
• Responsibilities
  ▪ Department - Requesting a Tax Analysis
  ▪ NRA Payee - Completing TDS and Support Documents
  ▪ Payroll Office - Overview of the Tax Analysis Process
• Processing time
• Challenges to the Process
All payments (either as an employee or as an independent contractor) are considered taxable unless excluded by law.

- For US citizens, taxes are withheld as follows:
  - (1) Wages - at the time of payment and reported on a W-2 Form,
  - (2) Others (independent contractors) are reported to the IRS via Form 1099, and any associated taxes are the responsibility of the payee.
Payment Taxation

For foreign nationals (NRA’s) taxes on payments are withheld at the time of payment for both employees and contractors. All payments to NRA’s are considered taxable unless excluded by law either via Internal Revenue Code or an established Tax Treaty between the US and the tax residency country of the payee.

– Eligibility for Tax Treaty benefits is determined via tax analysis prepared by the Payroll Office utilizing the Tax Determination System (TDS) & information provided by the payee.

– Failure on behalf of the payee to complete TDS, to submit requested documentation, or to provide a Social Security Number, will result in taxing payments at the highest allowable rate – contractors 30%, scholarships 14%.
Department Responsibilities

• Must contact the Payroll Office prior to making contractual arrangements with international guest or students;
• Begin the process as soon as possible, submit your request for analysis as soon as you have received a signed contract from the payee
Steps to be completed by Department

1. Request a Tax Analysis by submitting a request via DocuSign: **Request for Tax Analysis - Non-Resident Alien.**

2. Notify the payee that they will be receiving an email from our office with a link to the Tax Determination System (TDS) where they can securely enter their immigration information for analysis.

3. **AND** verify if vendor is active in Banner, if not, submit your request to **apvendors@wm.edu** along with a completed Form W-8BEN **at the same time** you submit the request for a tax analysis via DocuSign. The only exception are WM active students (no longer required).
Payee/Employee Responsibilities

• To accurately report all immigration information, respond to requests of the Payroll Office for supporting documentation, as well as the timely submission of paperwork;
• To timely respond to all request from the Payroll Office
The NRA payee receives an email from the Payroll Office with a link to the TDS secured site, along with their username and password.

The TDS process consists of 6 steps -

1. Residency Information (*Immigration details*)
2. Personal Data (*Name, Address, Tax ID Number*)
3. Contact Details (*Local/Foreign Address*)
4. Tax Forms Info (*Type of Income, Previous Treaty Benefits*)
5. Payments (*Scholarship, Wages*)
6. Residency Summary (*Esign, Upload documents*)
Step 1 – Residency:

- Visa
- Travel History
Step 2 – Personal Data
- Name
- DOB
- SSN
- Marital Status
- Dependents
Step 3 – Contact Details

- **Local Address**
- **Foreign Address**
Step 4 – Tax Forms Info

- **Income Type**
- **Amount**
Step 5 – Payments

• **Purpose**
• **Amount**
Step 6 – Residency Summary

- Analysis Results
- Sign
- Upload documents
Payroll Office Responsibilities

- To identify Non-Resident Aliens (NRA’s) who are receiving payments;
- Prepare and apply tax analysis;
- Conduct training;
- Support the University Community
Tax Analysis Process in Payroll

1. Receive request via DocuSign
2. Initial set-up in TDS
3. Review to determine timely response by payee
4. Follow-up on those who have not responded
5. Receive notification of submission
6. Review information for accuracy
7. Contact payee in the event of missing information
8. Review/Approve information submitted

9. Submit original, signed Form 8233 to IRS
10. Calculate tax withholdings create journal entry, if required
11. Complete in DocuSign, copy to department
12. Approve in buyW&M, attach determination Accounts Payable (or spreadsheet to SFA)
13. Remit taxes withheld to IRS
14. Update records in system to create Form 1042-S
Timeline of NRA Process

Dept Request Vendor ID (7 business days)

Dept Submits Tax Analysis Request (3-5 business days)

Payee Completes and Submits documentation (10 business days)

Request to grant treaty benefits submitted to IRS (10 business days)

Tax Analysis is reviewed/approved by Payroll (1-5 business days)

Tax Analysis is completed Documents are uploaded to TDS (3-5 business days)

Tax Letter Completed and submitted to (AP or FinAid) (1-3 business days)

Vendor / Student Payment processed (According to Prompt Pay)

AVERAGE PROCESSING TIME 35 DAYS

Prompt Pay starts from the date the TAX LETTER is completed.
Sample Timeline of the NRA Process

<table>
<thead>
<tr>
<th>NRA Payee – new to WM</th>
<th>NRA Payee – existing vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Treaty benefits - 35 business days</td>
<td>• Treaty benefits - 28 business days</td>
</tr>
<tr>
<td>• No treaty benefits - 25 business days</td>
<td>• No treaty benefits - 18 business days</td>
</tr>
</tbody>
</table>

If the NRA payee does **NOT** have a Social Security Number (SSN), or an International Tax Identification Number (ITIN), the NRA is **automatically ineligible** for Treaty Benefits.

TDS must still be completed and submitted, but the processing time for these payments is reduced. Payments without an SSN or ITIN are subject to the maximum withholding rate applicable to the payment type – **14% for scholarships** and **30% all other payments**.
DISCLAIMER

Processing times are subject to change and are solely dependent upon variables such as responsiveness of the department and payee, as well as the volume of requests received in Accounts Payable and Payroll.
Challenges to the Process

- Timing for the completion of the NRA process is highly dependent upon the timely completion of required information and submission of documentation on the part of the foreign national.

- In cases where the payee does not respond to our requests for information, Payroll will hold vendor payment requests for 14 days before closing the request for the analysis & submitting the documents to AP to prevent a backlog in the VPRF process.

- Failure to provide the requested information will result in payments being taxed at 30% withholding rate. (14% for scholarships)

- NRA employees who fail to submit documentation will be taxed as US citizens.

- The University cannot refund taxes that have been withheld from a payee’s check due to the failure to comply with requests for information or the late submission of required documentation.
Questions and Answers

Contact Information:

– Foreign Nationals email foreignnationals@wm.edu

– Tax Analysis Requests/NRA Specialist
  • Josie Cohen jacohen@wm.edu

– Assistant Director Payroll Operations, Tax Compliance, and Reporting
  • Simonne Vance smvance@wm.edu