Payments to Non-Resident Aliens
Agenda

Tax Rules

Responsibilities

- **Department** - Requesting a Tax Analysis
- **NRA Payee** - Completing Sprintax Calculus and Submitting Support Documents
- **Payroll Office** - Overview of the Tax Analysis Process

Processing time

Challenges to the Process
All payments, whether as an employee or as an independent contractor, are taxable unless specifically excluded by law.

Let’s first Review US Citizens Withholding and Reporting for US Citizens are 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.
Tax Rule- NRAs

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 Sprintax Calculus & information provided by the payee.
- Failure on behalf of the payee to complete Calculus, 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%.
Payments made by William & Mary to Non-Resident Aliens for services performed outside the U.S. are not subject to federal income tax, withholding, or U.S. reporting obligations.

This exclusion only applies to individuals who are not U.S. residents or citizens. Services are considered "sourced" in the foreign country and are not subject to U.S. tax laws.

Departments must attach a signed Foreign Source Income Exclusion Statement to the BuyWM transaction to verify services were performed overseas.
Responsibilities - Department

1. Must contact the Payroll Office *prior* to making contractual arrangements with international guests or students.

2. Begin the process as soon as possible, submit your request for tax analysis as soon as you have received a signed contract from the payee.

3. Prior to committing to an honorarium for a foreign national, departments must ensure that the person has the appropriate visa that allows such a payment and obtain a signed Statement to Abide by the 9/5/6 Honorarium Rule.
Prior to submitting a request for tax analysis, please check the Tax Analysis Status Report available in Box.

If a tax analysis has been completed this calendar year, departments do not need to submit another request. Instead, email payment information to foreignnationals@wm.edu.

Request a Tax Analysis by submitting the appropriate request form based on the department processing the payment (AP, FinAid, Payroll).

Attach the Student Payment Request as a PDF, named with the payee's last name and W&M ID. Use the payee's legal name, not their preferred name.
Responsibilities - NRA Payee

To accurately report all immigration information, promptly respond to Payroll Office requests for supporting documentation and ensure timely submission of paperwork.

• The tax analysis process is complete once the payee/employee finishes Calculus, electronically signs the required documents, and uploads the necessary immigration documents.
• The payee must notify our office that they have completed the necessary steps by emailing us at foreignnationals@wm.edu.
The NRA payee receives an email from the Payroll Office with a unique link to the Sprintax Calculus secured site, which payee will need to create a password.

The 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
Responsibilities - Payroll Office

• Work with campus departments to aid identify Non-Resident Aliens who are receiving payments.
• Prepare and apply tax analysis based on information provided by NRA.
• Submit tax withholding to tax authorities.
• Conduct Campus Wide training.
• Support the University Community.
Payroll Action Steps for Tax Analysis

1. Receive request via DocuSign
2. Initial set-up in Calculus
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 Requests 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 (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 Act)

AVERAGE PROCESSING TIME 35 DAYS

Prompt Pay starts from the date the TAX LETTER is completed.
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.

Calculus profile must still be completed and submitted, but the processing time for these payments is reduced. Payments without a 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/SFA to prevent a backlog in the 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.
Sprintax Calculus vs Sprintax Returns

**Sprintax Calculus** is a software used for tax determination for withholding purposes, during the tax year. The system automatically determines payee's residency status, tax treaty eligibility, and depending on the type of their income, the system produces relevant tax forms;

**Sprintax Returns** is a software used for the preparation of the tax returns – federal and state, if applicable. The system produces tax returns and applies all applicable deductions and credits along with the required schedules.
Questions and Answers

Contact Information:

– Foreign Nationals email foreignnationals@wm.edu

– Tax Analysis Requests/NRA Specialist
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