



# NONRESIDENT ALIEN TAX COMPLIANCE

UPDATE

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## LEGAL

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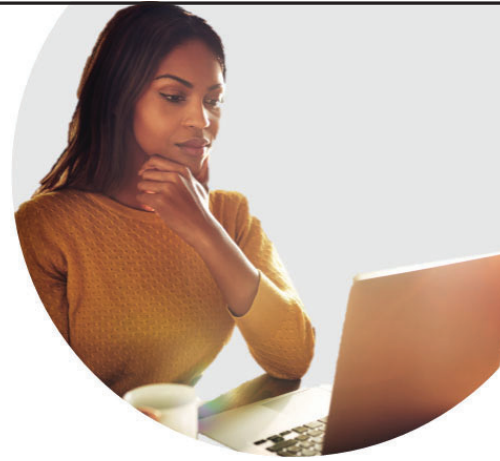
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## GENERAL RULE

- ALL withholding agents (*for example, an employer*) **MUST** withhold federal income tax from ALL income payments made to or on behalf of a nonresident alien (Section 1441 of the Internal Revenue Code)
- IF the withholding agent **DOES NOT** withhold the appropriate amount of tax at the time of payment, the withholding agent will be liable for the tax, plus any penalties and interest – regardless of whether the individual pays the tax on his or her tax return (Section 1461)



## ISSUES TO CONSIDER

- Let's Review Sourcing . . .
- Forms W-8 . . . BEN, BEN-E, ECI, EXP
- SSN or ITIN or EIN or FTIN?
- Reporting Issues



## WHERE IN THE WORLD . . . ?

Do we always know where in the world our employees, students, and payees are!

Not usually . . .

. . but, it's important that we do!

Taking time to withhold and report correctly to start with is a whole lot easier than trying to unravel and fix it later!



## ALL INCOME PAID TO OR ON BEHALF OF A NONRESIDENT IS:

### EXEMPT



- Foreign Source
- Internal Revenue Code
- Income Tax Treaty

or

- 14% (*Scholarships/ Fellowships to F, J, M, & Q Immigration Status*)
- 30% (*Non-Employee Compensation and all Other Payments*)
- Restricted Graduated Withholding (*Employee Compensation*)



### TAXABLE



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10<sup>th</sup> Annual Higher Education Taxation Institute session  
"Nonresident Alien Tax Updates"