

NONRESIDENT ALIEN TAX COMPLIANCE

UPDATE

Higher Education Tax Institute 2022
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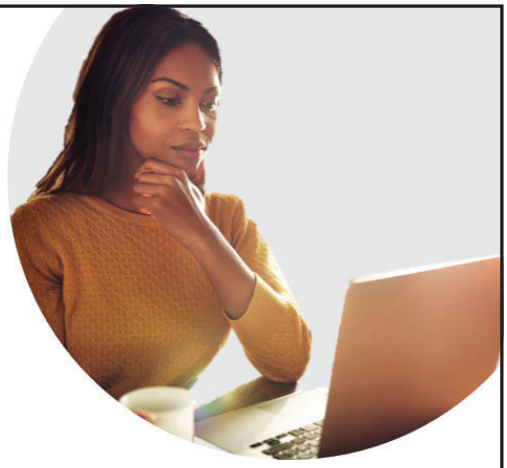
Please consult your tax advisor.

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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)

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ISSUES TO CONSIDER

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



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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

TAXABLE

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

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