

UNIVERSITY OF NORTH CAROLINA
SCHOOL OF THE ARTS

**FOREIGN NATIONAL TAX PROCEDURES
GUIDE FOR DEPARTMENTS**

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Table of Contents

	Pages
Introduction	1
Definition of Terms	2-4
Frequently Asked Questions	4-8
Process for Bringing a Foreign National to UNCSEA – High Level	8-9
Tax Residency and Withholding Overview	9-11
Specific Procedures on Payment Types to Foreign Nationals	11-16
Internal Revenue Service Forms, Instructions and Publications	16

Introduction

The information in this publication is to be used as a guide by UNCSA faculty, staff, and foreign visitors (Students, Teachers, Researchers, and Guest Lecturers). In addition, it is to be used as a reference tool for school personnel that interact with foreign visitors who have a financial relationship with UNCSA. A guide that provides departments with steps and actions that need to occur prior to bring a foreign national to campus.

This guide does not cover all tax situations. It covers only those most common to the majority of foreign students, faculty, and staff. It presents basic information about determining the tax status of various kinds of university payments to students, faculty, and staff. It is intended to provide information that will assist foreign visitors and school personnel in making decisions concerning the tax implications of payments that UNCSA makes to the foreign visitors.

The guide also specifically provides information about three types of payments to foreign visitors:

- Employee Compensation (Salary and Wages)
- Honorarium and Expense Reimbursements
- Scholarships, Fellowships and Grants

UNCSA must fulfill its tax reporting obligations and can, in case of a tax question or problem, assist in supplying payroll and other appropriate documentation to explain payments made to individuals.

Users of this guide should be aware of the necessary limitations on the information presented herein. While it is hoped that this material will be useful, it should not be construed as a complete treatment of all tax or immigration questions. This publication in no way should be construed to be the rendering of legal or tax advice. Each reader of this publication is responsible for determining the extent to which the information presented in this publication is appropriate to his/her situation. In assessing legal and tax obligations, each reader should consult with qualified legal and/or tax counsel.

Foreign students, faculty, and staff with tax questions or problems are advised to seek assistance from the IRS, a CPA, or attorney. In the U. S., the individual taxpayer is responsible for filing an appropriate and accurate tax return and negotiating all tax matters with the IRS. Taxpayer assistance is available from your local IRS office or by calling the IRS toll free taxpayer assistance number, 1-800-829-1040. In the U. S., the individual taxpayer is responsible for filing an appropriate and accurate tax return and negotiating all tax matters with the IRS. Taxpayer assistance is available from your local IRS office or by calling the IRS toll free taxpayer assistance number, 1-800-829-1040

Definition of Terms

Employee Wages

Employee wages are payments for services that an individual performs or carries out for the UNCSEA as an employee. Services performed by an employee are subject to the direction and control of the School, its faculty, or staff. Employee wages are not the same as payments made to a foreign visitor for independent contractor payments. Employee wages can only be paid to foreign visitors who have been granted an appropriate employment authorization and visa status by the U.S. Citizenship and Immigration Service (USCIS) to allow them to be compensated for services in this country.

Assistantships

When a graduate accepts a position to work for compensation, it will require inclusion in UNCSEA's payroll. To determine the status of work authorization, foreign students should check with the UNCSEA Office of International Programs in Admissions before accepting any such positions.

Federal Insurance Contribution Act (FICA)

FICA is a tax that is assessed against employee wages paid to individuals who are residents for tax purposes. It is a combination of Social Security tax (currently 6.2 percent) and Medicare tax (currently 1.45 percent). This is a separate tax from the federal and state income tax and is used to fund the retirement and medical benefits paid by the Social Security Administration. FICA tax is imposed in equal parts on both the employee and employer with respect to wages paid to individuals working in the U.S. Therefore, unless otherwise exempted, one-half of this tax (7.65% of wages) is withheld from the payments to the individual, while the UNCSEA pays the other one-half of this tax (also 7.65% of wages).

United States Citizenship and Immigration Service (USCIS) (Formerly INS)

The Homeland Security Act eliminated the INS and replaced it with two related organizations. USCIS is the U.S. government agency that is responsible for overseeing foreign visitors. The Bureau of Customs and Border Protection (CBP) is the organization that issues Forms I-94 to new arrivals in the United States. The USCIS sets the restrictions that apply to the various Visa categories/statuses. Most of the requirements discussed herein will be under the purview of the U.S. Citizenship and Immigration Service. Both of these organizations are under the Department of Homeland Security.

Independent Contractor Payments

Independent contractor payments are for services performed by foreign visitors, which may be outside the scope of employment. Independent contractors are not the same as employees. Services that are treated as independent contractor payments must have all of the following characteristics:

- the foreign visitor must not be under the direction or control of the UNCSA, its faculty, or staff, in regard to the means and method that are being used to perform services for the UNCSA;
- the services or tasks being performed are of short duration and will not result in the foreign visitor entering a long-term working relationship with the UNCSA;
- a written contract or agreement exists that identifies the services that are to be performed.

Independent contractor payments can only be received by foreign visitors whose status allows the receipt of such payments as a matter of law. If the independent contractor is known to be a foreign national, special care should be taken to make certain that the individual is truly an independent contractor. No other review needs to be made by the U. S.; the responsibility to accept and report independent contractor payments rests solely on the contracted.

Internal Revenue Service (IRS)

The IRS is the U. S. Government agency that collects taxes. To make this process easier, the IRS issues various forms (withholding allowance certificates, income tax returns, etc.) which are used to help foreign visitors pay the taxes that apply to them. The IRS is also the part of the U. S. Government that determines how much you owe in taxes, and whether an organization that pays income to a foreign visitor is required to withhold specific amounts from that income.

Immigrant (Resident Alien for Immigration Purposes)

An immigrant, or resident alien for immigration purposes, is a "green card" holder and is often referred to as a Permanent Resident (PR), the term that we will use in this guide. A PR is a non-U. S. citizen who has been authorized to live and work in the U. S. indefinitely. It is also a status that one must hold before being eligible to apply for U.S. Citizenship.

Nonimmigrant (Nonresident Alien for Immigration Purposes)

A nonimmigrant, or nonresident for immigration purposes, is a person who is not a citizen or a PR of the U. S. and has been admitted to the U. S. under one of the nonimmigrant categories for a temporary stay that will end when the purpose of that stay has been met.

Nonresident (for Tax Purposes)

A nonresident for tax purposes is a person who is not a U. S. citizen and who does not meet either the "green card" test (See Page 10) or the "substantial presence" test (See Page 12) described in Publication 519, U. S. Tax Guide for Aliens.

Resident (for Tax Purposes)

A resident for tax purposes is a person who is not a U. S. citizen and who meets either the "green card" test or the "substantial presence" test described in Publication 519, U. S. Tax Guide for Aliens.

Taxable Income

Any money paid to a foreign visitor or paid to a third party on their behalf on which taxes are required to be paid to the U. S. Government is called taxable income. Employee wages and stipend payments are considered taxable income. State and federal income tax will be withheld by UNCSA from these payments at the appropriate rate.

Travel (Transportation, Meals, and Lodging in Transit)

Travel payments can be made to foreign visitors in payment for, or reimbursement of, a number of travel-related expenses including the cost of meals, lodging, and transportation costs such as airfare and automobile rental, and other related expenses incurred while in transit. There is no distinction between amounts paid directly to travel service providers, such as airlines, and payments made directly to the foreign visitor.

Withholding

Withholding means that the taxes a foreign visitor is obligated to pay to the U. S. Government will be taken out of the paycheck or stipend check by UNCSA, and then sent to the U. S. Government, as required by law.

Frequently Asked Questions

Who is a nonresident alien? (Green Card Test)

A nonresident alien is an individual who is not a U. S. citizen and does not hold an Alien Registration Card (commonly called a green card) and who has not met the substantial presence test.

The United States Citizenship and Immigration Service (USCIS) issues green cards to aliens who have petitioned for residence status. When an alien receives a green card, he/she has obtained the privilege of residing permanently in the U.S. and is now considered a resident alien. A resident alien has all the privileges of a U.S. citizen with two exceptions: 1) A resident alien does not have the privilege to vote. 2) A resident alien is not permitted to serve on jury. For tax purposes a resident alien is viewed the same as a U.S. citizen.

An alien meets the substantial presence test after being present in the U.S. for 183 days over a three-year period. The three-year period must include the current year and the two years immediately preceding. Any period during which an alien is in exempt status does not count toward the accumulation of 183 days. Exempt status most commonly seen in a UNCSA environment would be students or teachers present in the U.S. on an "F", "J", "M", or "Q" visa.

What is a visa?

A visa is a stamp on a page in the passport of an alien. The visa allows the passport bearer permission to apply for entry into the U.S. under the conditions specified by the visa type, which the bearer holds.

A visa can be obtained by making a personal appearance before the consular officer assigned to the applicant's consular district. The applicant must complete Form OF-156 (Application for Non-Immigrant visa). A consular officer may ask for additional information to verify that the applicant is eligible for the non-immigrant visa for which he/she is applying.

Examples of information contained on the visa stamp are as follows:

Visa Number

Visa Type

Issue Date

Expiration Date

Location of the Issuing Office

What is the difference between an immigrant and non-immigrant?

An alien who enters the U.S. for a temporary stay, that ends when they have accomplished the purpose of their visit, is considered a non-immigrant. An alien who has been lawfully admitted to the U.S. for permanent residence is an immigrant. The term immigrant is interchangeable with the term permanent resident.

What is a tax treaty?

The Treasury and State Department negotiate tax treaties between the United States and foreign countries. Both the President and the Senate must approve a treaty. One main purpose of a treaty is to prevent international double taxation. International double taxation occurs when more than one country taxes the same income. Income tax treaties prevent double taxation by allowing a particular type of income to be taxed by either of the countries involved in the treaty.

Not all countries have a tax treaty with the United States. If a nonresident alien, who is a non-employee visitor from a country without a tax treaty, is eligible to receive a payment from the UNCSEA, the payment is subject to withholding at a rate of 30%. A nonresident alien who is an employee from a country without a tax treaty is subject to the employee graduated tax withholding tables. The tax withholding is calculated based on an employee's Form W-4 and Form NC-4. See Special Instructions For Nonresident Aliens (Form W-4 and Form NC-4) in the Forms section of this guide.

Each treaty the United States negotiates with a country is unique unto itself. Therefore, a general statement cannot be made that a specific type of income is exempt for all nonresident aliens on campus. If a nonresident alien is eligible to receive income from the UNCSEA, his/her country of residence must first be determined. Then a review of the tax treaty for that country can be made to determine if the type of income in question is exempt. If the income is exempt from withholding due to a tax treaty, the nonresident alien must complete a Form 8233 to apply for the exemption from withholding.

What is a Form 8233?

A nonresident alien completes Form 8233 to apply for a treaty exemption from tax withholding on any income earned in the U.S. Once the university staff member completes the agency part of this form, the Accountant must forward it to the Internal Revenue Service, International Returns Section, Bensalem, PA. The exemption does not become effective until ten days after the Form 8233 is mailed to the IRS.

UNCSEA cannot issue a check to the alien until the 10-day waiting period has expired. To issue the check before the expiration of the waiting period, the mandatory 30% will be withheld and sent to the IRS. To recover the withheld taxes, the alien must file a U.S. income tax return.

What is a Form I-94?

With few exceptions, all aliens entering the country receive an I-94. The I-94 is an Arrival/Departure Record. The I-94 shows the visa classification, the date of entry, and the length of the stay authorized.

What if an alien is from a country without a tax treaty?

If the alien is from a country without a tax treaty, and the alien is not an employee of the NCSA, the IRS requires the NCSA to withhold the mandatory 30% on any eligible payments. However, if the alien is an employee, tax is withheld using the graduated withholding rates and calculated based on their Form W-4. UNCSA remits the withheld tax to the IRS. The alien must complete a U.S. Tax Return to try to recover these amounts.

Who needs an identification number?

Any NRA receiving a payment from the UNCSA is required to have an identification number. It does not matter if the NRA is receiving a reimbursement for travel expenses or some type of honorarium. Those who complete a Form 8233 and apply for a tax treaty exemption are required to have an identification number. The Form 8233 asks for the identification number in Part 1 of the form.

If the NRA is eligible to work in the United States, the law requires that the NRA have a social security number for identification. Application for a social security number is done on Form SS-5, which is filed with the Social Security Office.

If the NRA is not eligible to work in the United States, the IRS requires the NRA to apply for an ITIN. To receive an ITIN the alien applies with the IRS. A Form W-7 is completed to apply for the ITIN.

What is a TN (Trade NAFTA) Visa?

The TN (Trade NAFTA) classification is available to a Canadian or Mexican citizen who seeks to enter the U.S. on a temporary basis to work in a professional-level job under provisions of the North American Free Trade Agreement. The individual must be employed in one of the professions listed in the federal regulation at 8 CFR 214.6 and have at least a baccalaureate degree unless an alternative credential is specified. The list includes UNCSA professors and guest artists in addition to many other professions.

What is the Substantial Presence Test?

A calculation of the number of days an individual is physically present in the U.S. over a period of three calendar years, taking into consideration (i) all of the days physically present in the U.S. during the current calendar year, (ii) one-third of all of the days physically present in the U.S. during the first preceding calendar year, and (iii) one-sixth of all the days physically present in the U.S. during the second preceding calendar year. The results of the calculation determine whether the individual will be treated as a resident alien or a nonresident alien for tax purposes. If the result of the substantial presence test equals 183 days or more, the individual will be treated as a resident alien for tax purposes; if the result of the substantial presence test is less than 183 days, the individual will be treated as a nonresident alien for tax purposes.

Note: If you have questions for which you feel the answer would be beneficial for others, please send them to the Controller's office. They may be used when this guide is updated in the future.

Controller's Office
University of North Carolina School of the Arts
Telephone: (336)770-3305
Fax: (336) 631-1233
Financial Services Building
E-Mail: financialservices@uncsa.edu

I. Process for Bringing a Foreign National to UNCOSA – High Level

Bringing foreign nationals to our campus, which supports UNCOSA's strategic goals, is a great opportunity to enhance the diversity of our university as well as bring that same diversity to our students. However, there are many processes that need to be considered before inviting the foreign national to UNCOSA; what is their visa status if applicable, are they eligible for the visa waiver program, should they be an independent contractor or employee, is a contract needed, and most importantly, what are the tax implications for the individual as well as the university?

These are just some of the questions that need to be addressed before an invitation is even sent to a foreign national to visit, teach or perform at UNCOSA. It is imperative that departments at UNCOSA do not initiate the process of bringing a foreign national to the university without researching the process first.

Step 1

First, faculty and staff need to answer the questions below.

1. Who would you like to bring to the university and what would you like them to do once they are here?
2. What is their country of origin?
3. Will they teach, lecture or perform?
4. How much will your department budget allow you to pay the foreign national for their services or visit?
5. How long will they be staying in the United States?
6. Will they need housing, a rental car, food provided, etc.?
7. Does your foreign national need to be sponsored by UNCOSA?

Step 2

Contact the Controller's office at 336-770-3305 or financialservices@uncsa.edu before proceeding any further. The Controller's office must be contacted if any kind of payment, including food and lodging, is being made to or on behalf of the visitor.

The hosting department or faculty member bears the primary responsibility for ensuring that the foreign national visitor acquires the correct visa (or has the correct visa) so that the individual is in compliance with all necessary tax and immigration laws. Departments must ensure that no payments are made to a foreign national unless he/she has been granted the appropriate authorization and visa status in advance of their arrival to campus.

Step 3

After you have contacted the appropriate departments listed above, informed them of your desire to invite a foreign national to campus, and provided them the answers to the seven questions, a staff member will advise you on how to effectively and efficiently invite your foreign national to UNCOSA in compliance with the tax and immigration laws.

Step 4

Once the individual have arrived to campus, please make sure the individual come to the Controller's Office to ensure the proper paperwork is obtained and completed. Incomplete proper paperwork will delay payment to individual and possibly could impact tax payment.

II. Tax Residency and Withholding Overview

Tax Residency

The Internal Revenue Service and the U.S. Citizenship and Immigration Services use the word “alien” instead of “foreign national.”

For U.S. tax purposes there are four categories of individuals:

1. U.S. Citizen

2. Permanent resident alien (i.e., “green card holders”) – taxed like a U.S. Citizen

3. Resident alien (RA) - taxed like a U.S. Citizen

- An alien is classified as a resident alien for tax purposes if they were physically present in the U.S. for 31 days during the current year and 183 days during a three-year period that includes the current year and the preceding two years.

4. Nonresident alien (NRA)

- A person who is not a U.S. Citizen and who does not meet either the “green card” test or the “substantial presence” test.
- Taxed depending on his/her **reason** for being in the U.S.

Tax Withholding

Permanent residents (green card holders) and resident aliens are taxed like U.S. Citizens.

Nonresident aliens are taxed only on their income from sources *within* the U.S. and on certain income connected with the conduct of a trade or business in the U.S.

If the services provided by the nonresident alien are performed in the U.S., 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 nonresident alien were performed outside the U.S., 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 are performed determines the source of the income. It does not matter where the contract was made, the place of payment, or the residence of the payer.

Nonresident aliens are taxed on earnings received while living and working in the U.S. Nonresident aliens, depending on visa type, are exempt from FICA (Social Security tax and Medicare), for example visa type F-1 and J-1. If the visa type is F-1 or J-1, the nonresident alien may be exempt from federal taxes, this would apply only if the country the alien lived in immediately before arriving in the U.S. has negotiated an [income tax treaty](#) with the U.S. government.

Since there is a different tax structure for a nonresident alien compared to a resident alien, it is important to be sure to have individuals classified correctly. A nonresident alien, for tax purposes, may qualify for some tax relief through a tax treaty benefit, if one exists

with the individual's home country. Generally, a resident alien cannot qualify for a tax treaty benefit for tax purposes; they are taxed on their worldwide income.

Nonresident aliens must pay the correct tax to the U.S. government on any income they earn during their stay. Failure to pay the correct tax may result in an unexpected tax obligation when the individual leaves the U.S. and may jeopardize a future application for residency.

Additionally, UNCSA is liable for any tax not withheld plus associated fines and penalties. Any taxes, fines or penalties assessed by the IRS will be charged to the UNCSA department who invited the nonresident alien to campus.

Nonresident Alien (NRA) Federal Tax Withholding

Federal withholding rates for nonresident aliens are:

Type of Income Federal Tax Rate

	Standard graduated rates
• Compensation (employees)	
• Nonqualified Scholarships/Fellowships (F, J, M, Q visa holders)	14%
• Travel Grants (Expense)	14%
• Housing Allowances	14%
• Nonqualified Scholarships / Fellowships (all other visa holders)	30%
• Independent personal services (e.g. consulting fees, guest speaker fees, honoraria, awards, travel reimbursement)	30%
• Royalties	30%
• Prizes and awards	30%
• All other payments	30%

Additional state withholding tax will be at the standard graduation rate for employees and 4% for independent personal services that involve payment in excess of \$1,500. If payments are exempt from federal tax under a tax treaty, then the payments are also exempt from NC taxes.

III. Specific Procedures on Payment Types to Foreign Nationals

Salary and Wage Payments to Nonresident Aliens (NRA)

Department personnel, who propose to employ a Nonresident Alien, must determine if the NRA has a U.S. Social Security Number and a visa type that permits employment. NRA employees must have a U.S. Social Security Number before their tax documents can be filed with the IRS and their employment data entered into the UNCSA payroll system. If the NRA does not have a U.S. Social Security Number, he/she should go to the local Social Security Office and complete a Form SS-5 (Application for a Social Security Card). It will be necessary to have documentation to indicate that they will be employed at the school. This is usually in the form of a letter from the employing department. Before going to the Social Security Office, it is suggested that Sponsor Department or the Controller's office be contacted to assist with questions and proper documentation.

To strengthen homeland security in the aftermath of September 11th, Social Security has taken extra steps to ensure the integrity of Social Security numbers. The changes to the way Social Security assigns numbers and issues cards may cause a delay of several weeks or months in receiving a number. Note that the employee may work while the Social Security number application is being processed, but only after meeting with the Accountant within the Controller's office.

When Nonresident Aliens are approved for employment, all hiring paperwork must be sent to the Human Resources department. The employee must schedule an appointment with the Accountant (336-770-3305). The purpose of this meeting is to enter the NRA into the tax Windstar Navigation System and review the NRA's tax status and to finalize the completion of required tax documents.

Since most of the tax documents are completed and filed for a specific calendar year, all NRA employees are requested to schedule an appointment with the Accountant each year, in December. The purpose for this meeting is to review any changes in the tax status of the employee and to complete tax forms necessary for the new calendar year. The NRA must also meet with the Accountant and bring their passport and visa each time they go out and back into the United States.

NRA employees are subject to Social Security Tax (FICA TAX). However, they may be exempted from this tax for a specific time period depending upon the visa type they have used to enter the United States. The status of this FICA Tax exemption will be determined during the first appointment with the Accountant and during the meeting each year in December.

Wages paid to foreign employees are subject to Federal and State Income Tax unless exempted by special IRS regulations or a tax treaty between the United States and the specific resident country of the employee. When the NRA meets with the Accountant at the time of employment or in December each year, an analysis will be made to determine his/her tax status and to see if any tax treaty benefits are applicable. At that time, required tax forms and documents will be completed, signed, and filed with the appropriate tax offices.

The NRA should bring the following documents to the scheduled appointment with the Accountant.

- US Social Security Card
- Passport
- I-94 (Departure Record)
- Visa
- I-20 (Certificate of Eligibility for Nonimmigrant (F-1) Student), or DS-2019 (Certificate of Eligibility for Exchange Visitor (J-1) Status)
- Letter of appointment from the department or Graduate School
- Foreign National Information Form

After the end of the calendar year, the Controller's Office will issue a Form W-2 (Wage and Tax Statement), if applicable, and/or a Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) to the NRA which will report the amount of compensation paid and taxes withheld.

Note: If the NRA is from a country that does not have a tax treaty with the United States, compensation will be subject to the graduated withholding rates and the tax calculated based on his/her Form W-4 and Form NC-4. UNCSCA will send this withheld tax to the IRS and the North Carolina Department of Revenue. The NRA should complete a Form 1040-NR (U.S. Nonresident Alien Income Tax Return) and a NC Form D-400 (Individual Income Tax Return) at year-end. The Form 1040-NR and Form D-400 will determine if the NRA owes additional tax or is entitled to a refund of previously withheld tax.

Honorarium and Expense Reimbursement Payments to Nonresident Aliens (NRA)

At the time a nonresident guest artist is invited to visit UNCSCA to give speeches, conduct workshops, or participate in seminars, he/she should be informed, by the individual extending the invitation, that certain personal information will be required in order for UNCSCA to determine what type payment may be made to them.

The Foreign National Information Form, should be sent to the visitor so that he/she may provide such information as U.S. Social Security Number or U.S. ITIN (Individual Taxpayer Identification Number); the type visa that will be used to enter the United States; his/her U.S. tax status and tax treaty benefits being requested. The form should be completed and returned immediately to UNCSCA, with copies of documents as listed at the top of the form.

If the NRA does not have a U.S. Social Security Number or a U.S. ITIN, he/she should use Form W-7 (Application for IRS Individual Taxpayer Identification Number) to apply for the U.S. ITIN. The instructions for completing the form indicate what documents are required and where to send the application.

9-5-6 Rule Regarding Honorarium Payments to Nonresident Alien Visitors on a B-1/B-2 Visa or Visa Waiver: Foreign Visitors present in the United States from a Visa Waiver country or B-1/B-2 Visa, **are not permitted to be employed in the United States.** Effective October 21, 1998, academic institutions are permitted to pay an individual admitted in B-1/B-2 or Waiver status, "an honorarium payment and associated incidental expenses for an usual academic activity that **last no longer than 9 days** at a given institution". This is contingent on the fact that the alien visitor has not accepted such payments or expenses from more than 5 institutions or organizations in the previous 6-month period. The alien must present a valid visa and Form I-94, Record of Arrival and Departure, as verification of status for such payments to be made. The visitor must also sign a statement attesting that his visit at UNCOSA will not exceed 9 days and he/she has not received more than 5 honoraria in last 6 months.

If the NRA is to be paid an honorarium, it is subject to 30% tax withholding. However, some countries have a tax treaty with the U.S., which may exempt the honorarium payment from tax withholding. If treaty benefits are to be requested, a Form 8233, Exemption From Withholding On Compensation For Independent (and Certain Dependent) Personal Services Of A Nonresident Alien Individual, should be sent to the visitor. That form needs to be completed and returned, with supporting documents (copy of Social Security card or ITIN card) to UNCOSA prior to the date of the visit. If the completed Form 8233 is accepted by UNCOSA, the Accountant is required to send it to the Internal Revenue Service, International Returns section, Bensalem, PA. UNCOSA must wait at least 10 days after sending the form to the IRS before payment may be processed.

If the NRA enters the United States from a Visa Waiver Country or with TN (Trade NAFTA) status, they must present a copy of their I-94. In some instances, they may have to request the I-94 at the port of entry if it is not issued by the immigration officer. At the end of the calendar year, Accounts Payable will issue a Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) to the NRA that will report the total amount of payments paid to the NRA and taxes withheld by UNCOSA.

Note: If the NRA is from a country that does not have a tax treaty with the United States, a Form 8233 will not be required. The NRA's payment will be subject to 30% withholding. UNCOSA will send this withheld tax to the IRS, and the NRA should complete a Form 1040-NR (U.S. Nonresident Alien Income Tax Return) at year-end. The Form 1040-NR will determine if the NRA owes additional tax or is entitled to a refund of previously withheld tax. Contact the Controller's office at 336-770-3305, for questions concerning US Tax treaties or the forms mentioned above.

Reimbursement or Payments for Travel Expenses: The IRS has changed its position relating to the rules for reimbursement or payments for travel expenses of nonresident aliens. Since that time, payments for travel expense made to or on behalf of nonresident

alien independent contractors are not subject to tax withholding if the IRS accountable plan rules are used. This means that receipts and other documentation for the expenses must be submitted with the request for reimbursement or payment. (UNCSA Forms, Travel Authorization and Travel Reimbursement.)

When the visitor arrives on campus, a copy of his/her visa and I-94 (Departure Record) needs to be sent to Accounts Payable. If the visa and I-94 support the information already received (and the 10 day wait period has expired), payment can be processed to pay the NRA.

Scholarships, Fellowships, and Grants Paid to Nonresident Aliens (NRA)

In general, all amounts paid to Nonresident Aliens in the form of scholarships, fellowships, grants, and financial aid are subject to federal income tax withholding at the rate of 30% unless the payments are exempt from tax under the Internal Revenue Code or a tax treaty. However, payees who are temporarily present in the United States holding F, J, M, or Q visas are subject to withholding at only 14% of the taxable portion of the grant because such individuals are considered to be engaged in a U.S. trade or business.

Those portions of a scholarship, fellowship, or grant that are used to pay tuition, fees, books, supplies, or equipment are not taxable under section 117 of the Internal Revenue Code if the recipient is a candidate for a degree. Any portion of the scholarship, fellowship, or grant over and above the five items mentioned above is taxable. For non-degree candidates, the entire grant is taxable.

Each semester the UNCSA Financial Aid Office will notify the NRA if he/she has taxable payments from a scholarship, fellowship, or grant. In addition, the amount of tax to be withheld will be shown and posted to the NRA's student account in the Cashier's Office. If there are questions regarding the taxable amounts or the tax withheld, the NRA should contact the Controller's Office at 336-770-3305.

Any NRA grantee who claims that part or all of his/her scholarship, fellowship, or grant is exempt from taxation because of a tax treaty must file Form W-8BEN with the Controller and Accountant in the Financial Services Department. That form may be obtained from the Controller office or website.

The NRA must have a U.S. Social Security Number or an Individual Taxpayer Identification Number (ITIN). This number is required so that the UNCSA can file the required documents with the appropriate office of the Internal Revenue Service and to other taxing authorities such as the North Carolina Department of Revenue. In addition, the number must be used by the NRA when filing annual Income Tax Returns.

The taxable portion of a scholarship, fellowship, or grant and any tax withheld will be reported to the NRA on a Form 1042-S following the end of each calendar year. That information will be used by the NRA when filing his/her annual Federal Tax Return (Form 1040-NR). If there are questions, you may contact the Controller's Office at 336-770-3305.

IV. Forms, Instructions, and Publications for Foreign Nationals from the Internal Revenue Service (IRS):

- [Publication 515](#), Withholding of Tax on Nonresident Aliens and Foreign Corporations
- [Publication 519](#), U.S. Tax Guide for Aliens
- [Publication 597](#), Information on the United States - Canada Income Tax Treaty.
- [Publication 901](#), U.S. Tax Treaties
- [Publication 970](#), Scholarships and Fellowships
- [Form W-7](#), Application for Individual Taxpayer Identification Number
- [Form 1040NR](#), U.S. Nonresident Alien Income Tax Return
- [Instructions for Form 1040NR](#), U.S. Nonresident Alien Income Tax Return
- [Forms 1042](#), Annual Withholding Tax Return for U.S. Source Income of Foreign Persons and [1042-S](#), Foreign Person's U.S. Source Income Subject to Withholding