General information for payments to foreign individuals/vendors

Additional considerations are necessary when making payments to foreign individuals that come to campus as well as when making payments to foreign vendors. As a general rule, the College is required to withhold Federal income tax on any payments made to individuals or businesses considered nonresident aliens (NRA’s). Please be aware that the College is required to pay the tax whether or not we withhold the tax from the payment. Multiple factors go into determining whether or not tax needs to be withheld and/or income needs to be reported for payments made to both U.S. Citizens and nonresident aliens. Please contact the Assistant Controller, Payroll and Compliance for assistance in making this determination. Please note that even though a payment may not be reportable (the College is not required to issue a tax form to report the payment), the payment may still be considered taxable income to the recipient.

In almost all payment circumstances involving a payment to an international payee, the College is required to obtain additional tax paperwork before the payment can be processed. Please contact the Tax & Compliance Manager before the international visitor enters the U.S. to perform services. The Assistant Controller, Payroll and Compliance, in conjunction with the Office of International Programs will determine what additional paperwork may be necessary and determine if the visitor will need to obtain a special visa to be legally authorized to work for the College.

Payment Category General Information

**Travel and other business reimbursements** that are not taxable or reportable to U.S. Citizens are also generally not taxable or reportable to NRA’s. If the vendor/payee is an employee, or providing services or some benefit to the College, the reimbursement for travel is generally not taxable. If you are in doubt of whether the reimbursement should be taxable or nontaxable, please contact the Assistant Controller, Payroll and Compliance.

**Moving expense reimbursements** are now longer nontaxable.

**Payments for honorarium’s or personal services as an independent contractor** made to U.S. Citizens are generally not reportable unless they exceed $600 in a calendar year and no tax withholding is required unless we are directed by the IRS. All vendors must provide a Form W-9 and this form must be updated every three years or it information must be updated. Payments to NRA’s for honorariums or personal services as an independent contractor are reportable in any amount and the College is required to withhold 30 percent in Federal income tax. For additional information, see the Honorarium and International Performers procedures.

**Payments for prizes or awards that are NOT educational in nature** made to U.S. Citizens are not generally reportable unless they exceed $600 in a calendar year and no tax withholding is required. Payments to NRAs for prizes or awards that are not educational in nature are reportable in any amount and the College is required to withhold 30 percent in Federal income tax.
Payments for prizes or awards that are educational in nature to a student (scholarships and fellowships) made to U.S. Citizens are reportable and may be taxable to the extent they exceed the tuition and fees the student incurred during the calendar year. Payments for prizes or awards that are educational in nature to nonresident alien (international) students are reportable to the extent they exceed the tuition and fees the student incurred during the calendar year and the College is required to withhold 14% in Federal income tax.

Royalty payments made to U.S. Citizens are reportable in excess of $10. Royalty payments to NRA's are reportable in any amount and the College is required to withhold 30% in Federal income tax.

Payments made to an agent for a U.S. Citizen performer are reportable to the agent. Payments made to an agent of a foreign performer (NRA) require tax withholding and reporting for the performer, even though the check may be made out to the agent. The person earning the income is the performer and the income is reported to the performer, not the agent.

Other payments made to U.S. Citizens and NRA's may be reportable and / or taxable. If you are unable to determine what category the payment falls into, (travel reimbursement, personal services, etc.) please contact the Assistant Controller, Payroll and Compliance.

Additional General Information

The Assistant Controller, Payroll and Compliance or Accounts Payable Coordinator will determine if the payee is eligible for a tax treaty and therefore a reduced rate of withholding.

Payments to a nonresident alien for services being performed outside of the U.S. are generally not taxable or reportable.

Payments for merchandise from a foreign entity are generally not taxable or reportable.