

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 425-01
	Section: 400 Disbursements
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Nonresident Alien Independent Contractors and Other Foreign Entities	Effective date: 01/01/2000
	Revision date: 02/09/2016

PURPOSE

To describe the policy for independent contractor payments made to nonresident alien individuals or foreign business entities. Applies to all payments for services, rentals, royalty, and copyright made to foreign individuals and foreign business entities.

SOURCE

Internal Revenue Service
University policy

BACKGROUND

Internal Revenue Service

The Internal Revenue Service (IRS) requires that all independent contractor payments made to nonresident alien individuals or foreign business entities be made in accordance with IRS regulations. These regulations require that, when services are provided inside the U.S., taxes be withheld from payments made to nonresident aliens (NRAs) or foreign business entities unless the income is exempt under a provision of a tax treaty between the foreign contractor’s country and the U.S. Foreign individuals must be eligible to claim a tax treaty exemption by having a social security number (SSN) or individual taxpayer identification number (ITIN) and must have submitted for certification a completed IRS Form 8233. Foreign business entities must have an employer identification number (EIN) and must have submitted for certification a completed IRS Form W-8ECI, W-8BEN, W-8EXP, or W-8IMY.

Unless the payments made to the NRA are exempt due to tax treaty or are effectively connected with the conduct of a trade or business in the U.S. (payments to foreign business entities only) or are made to a foreign entity with U.S. tax-exempt status, and the appropriate IRS forms have been filed, all payments made to the NRA or foreign business entity will be subject to U.S. federal income tax withholding of 30 percent.

Tax regulations also require that taxable payments made to NRAs or foreign business entities be reported annually on IRS Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding. A copy of the form is sent to the foreign individual or entity at the time it is filed with the IRS. The IRS requires that Form 1042-S be filed by March 15 following the calendar year in which payments were made.

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POLICY

CMP 425-01: Nonresident Alien Independent Contractors and Other Foreign Entities

PROCEDURE:

In order to process Honorariums and other payments to Non-Resident Aliens,

IRS regulations require NAU to collect the following information:

ITIN-Ind. Taxpayer Identification Number, OR

Social Security Number

Also,

Photocopy of VISA and Passport

Foreign National Information filled out on the Glacier system

Honorarium Agreement

Certificate of Foreign Status

Completed 8233 and Certification for Withholding Exemption Form

A Packet of these forms can be obtained in Purchasing Service. Contact Purchasing Services to get the process started at 928-523-4557.

PROCEDURES

See [CMP 421-01](#), “Guest Lecturers, Consultants, and Other Independent Contractors,” for a description of the general procedures followed in paying independent contractors. Listed below are procedures related to paying nonresident independent contractors.

Foreign Vendor Setup

All foreign independent contractors receiving payment(s) in a calendar year must have an [IRS Form W-8](#) on file with the university before payment will be made.

Here is a reference to [ASU's Foreign Tax Guide](#) for your convenience.