



Carnegie Mellon University

Finance Division

Non-Payroll Payments to Non-Resident Aliens Workshop

January 29, 2020

Agenda

- Overview
- Foreign National Information Form (FNIF)
- FNIF – Review of Residency Status
- FNIF – Other Important Factors for Consideration
- Withholding Rates
- Tax Forms

Overview

All non-payroll payments made through Accounts Payable (AP) to non-U.S. citizens will be analyzed by the Tax Department to determine appropriate tax withholding treatment.

This is done by having the individual complete the **Foreign National Information Form (FNIF)**.

Overview – Definitions for Tax Purposes

- An **alien** is any individual who is not a U.S. citizen or U.S. national.
- A **Non-Resident Alien (NRA)** is an alien who has not passed the green card test or the substantial presence test for the calendar year.
- A **Resident Alien (RA)** is an alien who has met either the green card test or the substantial presence test for the calendar year.

Overview

Payments to NRAs are subject to income tax withholding unless they are specifically exempted under an income tax treaty between the United States and the individual's home country.

The rate of withholding varies depending on the payment type and the applicability of any tax treaty provisions based upon information from the individual's FNIF.

Foreign National Information Form (FNIF)

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Foreign National Information Form for Non-Employees

Purpose of this Form: To request treaty benefits for payments made to foreign nationals receiving U.S. sourced income.

Note: All fields must be completed in order to accurately process the foreign information. Incomplete forms will be returned.

Personal Information

Last Name: _____ First Name: _____ Initial: _____

SSN: _____ ITIN: _____ Foreign Tax Identification Number: _____ Date of Birth: _____

Email: _____ Employer Name: _____

Address in USA

Line 1: _____

Line 2: _____

City: _____

State: _____ Zip Code: _____

Foreign Address

Line 1: _____

City: _____ Postal Code: _____

Province/Region: _____

Foreign Country: _____

Immigration Information

Country of Citizenship: _____ Country that issued passport: _____

Passport Number: _____ Expiration Date: _____ Visa # (red number): _____

Country of residence if different from foreign residence: _____ Did tax residency end? No Yes, when? _____

Immigration Status: _____ If other, specify: _____

What is the primary purpose of the visit? (Choose one): _____

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Foreign National Information Form (FNIF)

- The FNIF should be submitted to Accounts Payable (AP) along with the AP Payment form and Form W-8 BEN to ap-payform@andrew.cmu.edu.
- Honorariums should be submitted to ap-supplier-doc@andrew.cmu.edu.
- Note: The Tax Department will review the form for completeness and will determine whether treaty benefits can be applied to eliminate the required withholding.

FNIF – Review of Residency Status

To determine if an alien is considered a resident for U.S. income tax purposes, they must meet one of the following tests:

- 1. Green Card Test** - The U.S. Citizenship and Immigration Services (USCIS) issued an alien registration card, Form I-551, also known as a "Green Card."
- 2. Substantial Presence Test** – Present in the U.S. for at least 183 days in a calendar year (or combination of 31 days in current and 183 total in past 3 years)
 - Students are exempt from counting days if on a F, J, M or Q visa for 5 years

FNIF – Review of Residency Status

- After the review of the residency status of the individual, it could be determined that they are a RA.
- RAs are treated as U.S. citizens for tax purposes.
- The Tax Department will email the FNIF preparer to request that the RA review and complete a Form W-9.
- RAs are not subject to income tax withholding and will be issued a Form 1099 if they receive at least \$600 in the calendar year.

FNIF – Other Important Factors for Consideration

- A tax treaty benefit cannot be granted unless the NRA has a valid U.S. Social Security Number.
- The “Immigration Information” section on the FNIF is used to determine the substantial presence test and to determine if a tax treaty exists between the U.S. and the individual’s home country listed on the form.

FNIF – Other Important Factors for Consideration

The individual completing the form must answer all three FCPA Guidance questions on the bottom of the FNIF.

If these questions are not completed, the form will be sent back to the individual.

Is your employer owned or controlled by an entity of a foreign government? (If yes, please describe below. FCPA Guidance)		<input type="radio"/> Yes	<input type="radio"/> No
Are you or any members of your family officials of a foreign government? (If yes, please describe below. FCPA Guidance)		<input type="radio"/> Yes	<input type="radio"/> No
Description:	<input type="text"/>		
Have you (the requestor) viewed the university's FCPA Guidance ?		<input type="radio"/> Yes	<input type="radio"/> No

Withholding Rates

IRS regulations require federal income tax be withheld on payments made to NRAs with U.S. source income, unless a tax treaty exists.

30%	14%	30%, 15% or 10%
<ul style="list-style-type: none">• Honorariums• Prize/awards and gifts• Taxable non-employee ERs	<ul style="list-style-type: none">• Non-qualified scholarships	<ul style="list-style-type: none">• Royalties

Tax Forms

Payments from AP to NRAs must be reported to the IRS:

- The university mails a Form 1042-S to the NRA each year to the home address that was provided on the FNIF.
- The Form 1042-S is used to report income and tax withholdings for NRAs and is required regardless of dollar amount.
- The NRA uses Form 1042-S when filing their personal U.S. tax return.

Questions??

