FAQs for Payments Made to Foreign Individuals and Foreign Entities

1. What should a department do when inviting a foreign national individual to the United States?
   1. Contact your department administrative staff and notify them of the invitation. They will send the Taxable Status Determination Form (TSDF) and any other applicable forms to the invited individual.
   2. Contact your MAU’s international programs office if you are uncertain if the University will need to sponsor a visa for the foreign national. The process to sponsor an individual for a visa may take several months.
   3. The department administrative staff will begin making travel arrangements and will forward the TSDF to the Finance Nonresident Alien Tax Specialist (NRAT) for your MAU if the individual is not a U.S. Citizen or Permanent Resident.
   4. The NRAT may contact the foreign national directly if they need any further documentation to determine any tax withholding that may be required. They will return a copy of the TSDF to the department administrative staff after the withholding rate (if applicable) is determined.
   5. The department administrative staff will use the tax withholding rate on the TSDF when payment is requested for the foreign national.
   6. All monies withheld by the MAU will be forwarded to the IRS through the Statewide International Administrative Services department.

2. What should a department do when organizing a workshop?
   1. Contact your department administrative staff and notify them of the workshop. They will send the Taxable Status Determination Form (TSDF) and any other applicable forms to the invited individual.
   2. Contact your MAU’s international programs office if you are uncertain if the University will need to sponsor a visa for any foreign nationals attending the workshop. The process to sponsor an individual for a visa may take several months.
   3. The department administrative staff will begin making travel arrangements and will forward the TSDF to the Finance Nonresident Alien Tax Specialist (NRAT) for your MAU if the individual is not a U.S. Citizen or Permanent Resident.

3. What should a department do when wanting to contract with a foreign business?
   1. Contact your department administrative staff and notify them of the requisition. They will send the Foreign Entity Determination Form (FEDF) to the proposed vendor.
   2. Contact your MAU’s international programs office if you the University will need to sponsor a visa for the employees of the foreign entity to visit the US. The process to sponsor an individual for a visa may take several months.
   3. The department administrative staff will forward the FEDF with any applicable documentation to the Finance Nonresident Alien Tax Specialist (NRAT) for your MAU.
4. The NRAT may contact the foreign entity directly if they need any further documentation to determine any tax withholding that may be required. They will return a signed copy of the FEDF to the department administrative staff after the withholding rate (if applicable) is determined.

5. The department administrative staff will forward the approved FEDF with the contract package to the MAU procurement office. The procurement process will not continue with the contract process until a signed copy of the FEDF is submitted. The tax withholding rate on the FEDF will be used when paying invoices related to the purchase order.

6. All monies withheld by the MAU will be forwarded to the IRS through the Statewide International Administrative Services department.

4. **What should a department do when wanting to grant a subaward to a foreign educational institution or other nonprofit organization?**

   1. Contact your department administrative staff and notify them of the requisition. They will send the Foreign Entity Determination Form (FEDF) to the proposed organization.

   2. Contact your MAU’s international programs office if you the University will need to sponsor a visa for the employees of the foreign entity to visit the US. The process to sponsor an individual for a visa may take several months.

   3. The department administrative staff will forward the FEDF with any applicable documentation to the Finance Nonresident Alien Tax Specialist (NRAT) for your MAU.

   4. The NRAT may contact the foreign entity directly if they need any further documentation to determine any tax withholding that may be required. They will return a signed copy of the FEDF to the department administrative staff after the withholding rate (if applicable) is determined.

   5. The department administrative staff will forward the approved FEDF with the contract package to the MAU procurement office. The procurement process will not continue with the contract process until a signed copy of the FEDF is submitted. The tax withholding rate on the FEDF will be used when paying invoices related to the purchase order.

   6. All monies withheld by the MAU will be forwarded to the IRS through the Statewide International Administrative Services department.

5. **Is a foreign educational institution subject to US federal tax withholding?**

   A foreign organization including foreign educational institutions that do not have effectively connected income with a US trade or business is considered to be a foreign entity and may be subject to up to 30% withholding for payments defined as US sourced income. US sourced income is usually defined as any payment for any activity occurring in the United States or payments for copyright, royalty and software licenses. The foreign entity’s tax withholding rate is determined by the Nonresident Alien Tax Specialist (NRAT) by analyzing the completed Foreign Entity Determination Form (FEDF).

6. **What is a nonresident alien for tax purposes (NRA)?**

   A foreign individual’s tax residency status is not the same as their immigration status. A foreign individual that is not a U.S. Citizen or Permanent Resident (has a
“green card”) may be considered either a nonresident alien for tax purposes (NRA) or a resident alien for tax purposes (RA). The person’s tax residency status is determined by the Nonresident Alien Tax Specialist (NRAT) by analyzing the completed Tax Status Determination Form (TSDF). If a person is determined to be a Nonresident Alien for tax purposes (NRA), they fall under a different tax system than a U.S. Citizen, Permanent Resident, or Resident Alien (RA) for tax purposes. There are different withholding requirements and regulations governing the type of payments these individuals may receive.

7. **What is the University of Alaska’s “accountable plan”?**

An “accountable plan” is an expense reimbursement payment program that is not subject to federal tax withholding or reporting if the following conditions are met:

- The expenses are incurred in connection with the performances of services for the University.
- The expenses are substantiated by providing evidence of the amount, time, place, and business purpose of the expense.
- Travel advance amounts that are paid in excess of the substantiated expenses or in excess of that allowed by UA travel regulations are taxable unless they are returned to the University.

8. **What is a scholarship?**

A scholarship is an amount paid to or provided for the benefit of a student, whether a graduate or undergraduate, to aid such individual in pursuing his studies (Treas. Reg Sec 1.117-3(a)). This may be in the form of a tuition waiver, a lump sum payment to help defer educational costs, or payment directly to an airline or hotel on behalf of the foreign national for travel costs. If the recipient of the scholarship is expected to provide a service to the university whether in the past, present or future, then the payment is considered compensation, not a scholarship.

9. **How do departments withhold taxes from payments made directly to a vendor for a foreign national that is receiving a travel grant or scholarship?**

If the foreign national is determined to be a Nonresident Alien for tax purposes (NRA), the IRS requires the University to withhold the appropriate tax for the payment, even if the individual did not get cash, but instead received the benefit from a payment made directly to a vendor. There are several ways to do this:

1. The Department may pay the tax withholding for the payment. If this payment is coming from a restricted fund, be certain that this is allowed by the grant or it will need to be paid from Fund 1.

2. If the individual is getting a per diem for meals, applicable taxes may be withheld from the per diem amount.

3. The individual may pay the taxes due.

NOTE: When applying for grants in which there will be “travel scholarships” for foreign nationals, make sure that taxes are considered an approved expense.
10. What should a department do when they are making a payment to a foreign national?
If you are making a payment to or on behalf of a foreign national, the individual must complete the Taxable Status Determination Form (TSDF). This form must be submitted prior to the payment request so that the proper documentation can be collected to determine the tax withholding rate. The department administrative staff will forward this form to the Finance Nonresident Alien Tax Specialist (NRAT) if the individual is not a U.S. citizen or permanent resident for determining the applicable tax withholding rate. The NRAT may contact the foreign national directly if they need further documentation to determine if tax withholding is required. The NRAT will return a copy of the Taxable Status Determination Form to the department administrative staff after the withholding rate (if applicable) is determined.

11. What should a department do when wanting to give a prize or award to a foreign national?
If you are giving a prize or award to a foreign national, the individual must complete the Taxable Status Determination Form (TSDF). This form must be submitted prior to the payment request so that the proper documentation can be collected to determine the tax withholding rate. The department administrative staff will forward this form to the Finance Nonresident Alien Tax Specialist (NRAT) for determining the applicable tax withholding rate if the individual is not a U.S. citizen or permanent resident. The NRAT may contact the foreign national directly if they need further documentation to determine if tax withholding is required. The NRAT will return a copy of the TSDF to the department administrative staff after the withholding rate (if applicable) is determined.

12. What is the procedure for honorarium payments?
Contact the MAU procurement office for the appropriate procurement procedures.

If you are giving an honoraria to a foreign national, the individual must complete the Taxable Status Determination Form (TSDF). This form must be submitted prior to the payment request so that the proper documentation can be collected to determine the tax withholding rate. The department administrative staff will forward this form to the Finance Nonresident Alien Tax Specialist (NRAT) for determining the applicable tax withholding rate if the individual is not a U.S. citizen or permanent resident. The NRAT may contact the foreign national directly if they need further documentation to determine if tax withholding is required. The NRAT will return a copy of the TSDF to the department administrative staff after the withholding rate (if applicable) is determined.

13. What happens if the proper nonresident alien tax is not withheld from the foreign individual's or foreign entity's payment?
IRS law specifies that the withholding agent (University of Alaska) is responsible to withhold and remit tax withholding for all payments made to foreign individuals defined as nonresident alien for tax purposes (NRA) and all foreign
entities. If the proper federal tax is not withheld from the payment, the university is still required to pay the tax. The UA department paying the individual for services will be responsible for this tax amount. The normal federal tax rate for payments made to foreign individuals and foreign entities is 30%.

14. How does a department complete a Travel Authorization (TA)?
Please review the procedures on SW Finance website, the MAU’s procurement website, or http://www.alaska.edu/controller/travel/docs/TR_TA_TER_0502.pdf.

15. How does a nonresident alien file their tax return?

16. How can I learn more about sponsoring a visa for a foreign national?
Contact your International Programs Office:

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<th>Campus</th>
<th>Name</th>
<th>Email</th>
<th>Phone</th>
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<tbody>
<tr>
<td>UAA</td>
<td>Doni Williams</td>
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<td></td>
</tr>
<tr>
<td>UAF</td>
<td>Office of International Programs</td>
<td>website link</td>
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<td>UAS</td>
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17. How can I learn more about the NRA taxation process at my campus?
Contact your Finance Nonresident Alien Tax Specialist (NRAT):

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<th>Campus</th>
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<th>Phone</th>
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<tbody>
<tr>
<td>UAA</td>
<td>Martha Nelson</td>
<td><a href="mailto:anmrn@uaa.alaska.edu">anmrn@uaa.alaska.edu</a></td>
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