

NONRESIDENT ALIENTAX COMPLIANCE

UPDATE OF THE ISSUES

Higher Education Tax Institute 2023 Donna E. Kepley

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LEGAL

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GENERAL RULE

- ALL withholding agents (for example, an employer)
 MUST withhold federal income tax from ALL income payments made to or on behalf of a nonresident alien (Section 1441 of the Internal Revenue Code)
- IF the withholding agent DOES NOT withhold the appropriate amount of tax at the time of payment, the withholding agent will be liable for the tax, plus any penalties and interest – regardless of whether the individual pays the tax on his or her tax return (Section 1461)





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ISSUES TO CONSIDER

- Let's Review Sourcing . . .
- Forms W-8...BEN, BEN-E, ECI, EXP
- SSN or ITIN or EIN or FTIN?
- New Reporting Issues
- What If the IRS Contacts Your Institution . . . ?





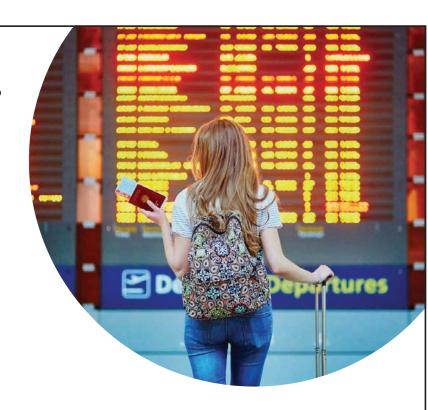
WHERE IN THE WORLD . . .?

Do we always know where in the world our employees, students, and payees are!

Not usually

.. but, it's important that we do!

Taking time to withhold and report correctly to start with is a whole lot easier than trying to unravel and fix it later!





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ALL INCOME PAID TO OR ON BEHALF OF A NONRESIDENT IS:

EXEMPT



or

- Foreign Source
- Internal Revenue Code
- Income Tax Treaty

- 14% (Scholarships/ Fellowships to F, J, M, & Q Immigration Status)
- 30% (Non-Employee Compensation and all Other Payments)
- Restricted Graduated Withholding (Employee Compensation)







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Title search: Nonresident Alien Tax Update

Also available as part of the eCourse 2023 Higher Education Tax eConference

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