

PAYING A FOREIGN NATIONAL AND ACCESSING THE GLACIER TAX COMPLIANCE PROGRAM

The Internal Revenue Service (IRS) has strict regulations regarding the taxation and reporting of payments made to a non-U.S. person. In most cases, a Nonresident Alien (NRA) is subject to U.S. tax on its U.S. source income. Most types of U.S. source income received by a NRA is subject to U.S. tax of 30%. A reduced rate, including exemption, may apply if there is a **tax treaty** between the NRA's country of residence and the United States.

Please note that in order to take the tax treaty benefit, if applicable, the visitor must have a U.S. Tax Id Number (ITIN). An NRA without an ITIN can apply for one by submitting a completed W-7 Application for IRS Individual Taxpayer Identification Number Form – see site below for form:

<https://apps.irs.gov/app/picklist/list/formsInstructions.html?value=W7&criteria=formNumber>

It usually takes 6-8 weeks for the IRS to issue the ITIN. **Please advise your visitor accordingly, as the application process is not part of the Glacier Tax Compliance Program.**

It is essential that all foreign visitors coming to the U.S. access the Glacier Tax Compliance Program (Glacier). This program will assist with tax compliance on payments to foreign nationals and for year-end reporting purposes. ***THIS MUST BE DONE PRIOR TO REGISTERING IN PAYMENT WORKS (the new Vendor Portal).***

- It is not necessary if you are reimbursing a business travel expense to have your visitor access the Glacier system.
- If providing a royalty payment to a foreign person (individual or entity), they should be registered in Glacier.
- If the foreign vendor is not coming to the U.S. (and service is being performed abroad), the vendor should not access Glacier.

About the GLACIER TAX COMPLIANCE PROGRAM

The GLACIER Tax Compliance Program is an online tax compliance system designed to allow institutions to efficiently and effectively collect information, make tax residency and income tax treaty determinations, and create year-end reporting statements. Please provide first name, last name, and an email address for your visitor to the Tax Department so that we can register him/her in Glacier. A system-generated email from support@online-tax.net with login instructions will be sent to your visitor. Please let your visitor know so that he/she does not think it is spam. Your visitor will need to complete the questionnaire, and the system will generate all necessary forms and determine if tax withholding is applicable on the payment.

The visitor must print, sign, and forward the forms to the Tax Department along with copies of Required Documents listed on the Glacier Tax Summary page.

Your visitor cannot enter information into Glacier more than 30 days in advance of his/her arrival date.

Among the forms produced by Glacier is the W-8BEN. This form is needed by your visitor to be set up as a supplier. If a W-8BEN form is not generated, the vendor should use the Glacier Tax Summary Report in lieu of the W-8.

THE ABOVE PROCEDURE SHOULD BE DONE PRIOR TO SETTING UP A VENDOR IN MARKETPLACE

Additional Information

- The check request payment should be the NET AMOUNT-please see payment form (<https://uco.rutgers.edu/files/template-payment-foreign-national0xlsx>). The payment form should be sent to the Tax Department with the Gross Amount, and the Tax Department will calculate the NET Amount.
- In the description field of the check request, or in the Internal Note field of a PO, if withholding is applicable, indicate that payment is Net of Taxes and provide the calculation.
- If withholding is applicable, the withholding expense will be JE'd to the department and the withholding liability captured and remitted to the IRS.
- If on a J-1 Visa (Non-Student, Professor, Research Scholar, Short-term scholar) and Rutgers is **not** the sponsoring institution, and payment is for service rendered, please attach letter from the international office of the sponsoring institution authorizing work.
- A 1042-S Foreign Person's U.S. Source Income Subject to Withholding Form will be issued at year-end to your visitor for payments issued.

Please note that a visitor on a B visa or Visa Waiver is subject to restrictions of payment. They cannot receive payment and associated expenses from more than five institutions in the previous six-month period and that they have performed *usual academic activities* and that those activities do not/will not last for more than nine days.

Payment to a foreign entity.

Payment to a foreign entity for service performed in the U.S. is subject to withholding and reporting. Please contact the Tax Department.

Payment to a foreign entity, for service performed outside the U.S. is not subject to withholding or reporting – **the natural account to charge is 55240 – NR payment/outside U.S.**

Payment to a foreign entity for a royalty payment (permission to use someone else’s work or intellectual property) is subject to withholding and reporting. The withholding rate may be reduced or eliminated due to a tax treaty between the U.S. and the country of residency of the payee. Please contact the Tax Department – the natural account to charge is:

69360 – copyright royalty, patent payment-NR

58035 – software license, database-NR

Listed below are applicable natural accounts to charge when paying a foreign person/entity.

Natural Accounts

55230 – Professional Services - NRA

54140 – Honorarium/Guest Speaker fee - NRA

69360 – Royalty/Patent Payments - NRA

55140 – Editorial Services provided in the U.S. - NRA

61560 – Non-qualified Scholarship/Fellowship Payment - NRA

69456 – Prize/Award – NRA

69410 – Performance Fee – NRA

58035 – Software License – NRA

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Please use the following natural accounts for Service performed by a foreign person outside the U.S.

54150 – Honoraria (outside U.S.)

55240 – Professional Service (outside U.S.)

69350 – NRA Payment (outside U.S.)

