

Taxation of Nonresident Alien Employees, Students and Visitors

In order to treat nonresident alien employees and nonresident aliens who are reimbursed for expenses or paid for services favorably and to reduce institutional costs, the University honors tax treaties with other countries. Under such treaties, nonresident aliens are generally eligible to be taxed at rates more favorable than the standard 30% on University payments made through Payroll or Accounts Payable. In making payments to nonresidents, the University is required to follow Internal Revenue Service rules.

To ensure correct taxation and to avoid potential IRS penalties, all payments through Payroll or through Accounts Payable made to nonresident aliens (NRAs or foreign nationals) must be reviewed and approved prior to issuance by the NRA taxation coordinator in the Payroll section of Human Resources.

All tax adjustments must be made either before foreign nationals arrive on campus or while they are here. Therefore, departments planning to bring NRAs to campus as employees or as visitors who are paid honoraria and/or who reimbursed for expenses should contact the NRA taxation coordinator as early as possible in the planning process.

To avoid overpayment to NRAs and to save departmental costs, salaries, wages and Accounts Payable amounts due to NRAs should not be increased (“grossed up”) by the sponsoring department to cover taxes due. The NRA taxation coordinator will ensure that taxes due are correctly deducted from payments made to NRAs. NRAs will be issued a 1042-S for the taxes deducted and paid by the University on their behalf and can file for reimbursement of those taxes.

If a department hiring an NRA or bringing an NRA to campus as a visitor does not work with the NRA taxation coordinator to set up correct payments before they are issued to the NRA, the department will be liable for any taxes owed, for any penalties assessed by the IRS and for a fee in the amount of 15% of the payment made to the NRA.

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