

# 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 claim a tax treaty benefit, if applicable, the visitor must have a U.S. Tax Identification 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.

In cases where the foreign individual must register in Payment Works, Glacier must be done first.

If the foreign individual 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 and the Foreign Payment Form**

This is a two-step process:

**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.

### **Part I – Glacier Tax Compliance**

- The Department must send first name, last name, and email address of the foreign national to the Tax Department.
- The Tax Department will enter the individual in the Glacier Tax Compliance Program.

- The individual will receive an email from [support@online-tax.net](mailto:support@online-tax.net). We recommend the department notify the foreign national so that he/she does not think it is spam.
- Once the profile is complete, the system will generate a Tax Summary Report.
- The individual must print, sign, and forward this report to the Tax Department along with noted required documents listed on the Report.
- If the Tax Summary Report contains the SSN or ITIN, it must be blocked out before sending the report.
- Your visitor cannot enter information into Glacier more than 30 days in advance of his/her arrival date.
- 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.

**Note #1:** 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.

Note #2: **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.

## **Part II – Foreign Payment Form**

- The Foreign Payment form must be completed for each foreign person receiving a payment
- Complete the yellow highlighted portions of the form. For Natural Account number to charge expense to select from Accounts listed at top right of form.
  - Enter the gross amount and send form to the Tax Department
  - Tax Department will review the form, enter the NET Amount, and return form to Department
  - The Department puts the NET Amount on the Requisition
  - The Department attaches the Foreign Payment Form to the Requisition as documentation
  - 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.

**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

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.)