

Payments to Foreign National Independent Contractors

Executive summary

The University of Maryland, Baltimore (UMB) at the present time does not capture the information needed for foreign national independent contractors, to determine whether or not the individual is a resident alien (RA) or non resident alien (NRA) for tax purposes. As a result, we are currently noncompliant with the IRS tax code. In order to comply with the IRS rules and regulations, effective October 1, 2008, the Department of Financial Services will implement new procedures addressing payments to foreign national independent contractors that include consulting fees and honoraria paid to visiting professors, teachers, researchers, scientists, and speakers. When making a payment to a nonresident alien independent contractor, the university must withhold 30 percent for federal taxes unless an income tax treaty applies. The procedures are as follows:

- Campus schools/departments must contact FS-Payroll before making arrangements for a foreign national to perform personal services as an independent contractor at UMB.
- Campus schools/departments must collect information below from the foreign national independent contractor:
 1. Personal Data
 - a. Name of the individual
 - b. US address
 - c. Foreign address
 - d. Citizenship country
 - e. Telephone number
 - f. Email address
 2. Date of arrival in the US for the purposes of the visit and estimated date of departure
 3. Country of tax residence
 4. Current immigration status and primary purpose of this visit
 5. Expiration of current immigration status
 6. Information about all prior visits, including dates of arrival and departure, immigration status, and primary purpose of visits
 7. Location where the service is to be performed
- Campus schools/departments must formalize the arrangements for the foreign national, follow established standard procurement procedures, and the policy on payments to foreign national independent contractors after receiving the confirmation from FS-Payroll.

- Based on the information provided, the foreign national will be determined as a resident alien (RA) or a non resident alien (NRA) for tax purposes.
- Non resident aliens with insufficient documentation and no applicable tax treaty will result in 30% federal tax withholding according to the IRS tax code.

The Department of Financial Services has purchased an internet-based tax compliance system to assist the campus schools and departments in collecting information from foreign nationals and help maintain tax compliance for the campus.