**STEP BY STEP INSTRUCTIONS FOR NON-RESIDENT ALIEN PAYMENTS**

A non-resident alien is an individual or business who is not a resident of the United States but who can travel to the United States to perform a service within the United States temporarily. The following procedures are for all non-resident aliens that Mississippi State University invites to the United States to perform a service.

Vendor Set-up and Contract Execution

1. When a department makes the decision to bring a non-resident alien to campus to perform a service, the department must contact the Tax Compliance Officer to determine if there is a tax treaty between the US and the visitor’s country of residence and what tax rate will be applicable for the payment for services.
2. If there is a tax treaty between the US and the visitor’s country of residence, the non-resident alien will need to apply for an Individual Taxpayer Identification Number (ITIN) with the IRS, as well as submit Forms 8233 and W8-BEN to the Tax Compliance Officer at MSU. It takes the IRS 7 weeks to process the ITIN application, so it must be done at the beginning of the process. MSU is not allowed to use a tax treaty without having an ITIN on file for a non-resident alien. Without a tax treaty, MSU is required to withhold 30% federal income tax on the payment for services, and only a Form W8-BEN would be required from the non-resident alien.
3. When the department receives the required forms, and ITIN if applicable, they will send the forms and contract to the Tax Compliance Officer, who will sign the forms in acknowledgement that they are complete and correct before returning them to the department. The Tax Compliance Officer will submit Form 8233 to the IRS for approval in using a tax treaty, if applicable.
4. After the Tax Compliance Officer signs the backup documentation, the department will send the contract and backup documentation to Procurement for contract approval. Procurement will verify that the required forms are attached to the contract. Once approved, Procurement will submit the contract and backup documentation to Accounts Payable for Banner set-up, if it’s a new vendor.
5. Accounts Payable will set up the visitor as a vendor in Banner, ensuring that the tax withholding percentage and country of residence is entered into Banner from Form W8-BEN.

Direct Payments

1. When it is time to pay the visitor for their services, the department will key the invoice in Banner using FAAINVE, with the gross amount of the payment going to account 405750 and the federal income tax withholding going to account 212012.
2. The department will send the invoice and backup documentation to Accounts Payable, who will receive the document in Banner via FOAUAPP. Accounts Payable will verify the non-resident alien status of the vendor, that the vendor is marked as non-1099 in Banner, and that account 212012 is listed for federal income tax withholding. Accounts Payable will verify the federal income tax withholding percentage from the Form W8-BEN.
3. Once everything is verified, Accounts Payable will notify Treasury Services to process a check for payment and will email the Tax Compliance Officer with payment information for year-end reporting.
4. The Tax Compliance Officer will verify that the correct federal income withholding percentage is listed from Form W8-BEN and will record the withholding liability.
5. Treasury Services will process the direct payment.
6. The Tax Compliance Officer will notify Treasury Services when it’s time to submit the EFTPS for the federal income tax withholding. Treasury Services will then submit the EFTPS and submit the JV to record the withholding remittance.
7. After year-end, the Tax Compliance Officer will prepare and remit 1042-S forms to the IRS for all non-resident alien payments made during the calendar year and will email a list to the International Institute for their recordkeeping.

Wire Transfers

1. When it is time to pay the visitor for their services, the department will fill out the International Wire Transfer Form, with the gross amount going to account 405750 and the federal income tax withholding going to account 212012.
2. The department will send the International Wire Transfer Form and backup documentation to Accounts Payable, who will verify the non-resident alien status of the vendor, and that account 212012 is listed for federal income tax withholding. Accounts Payable will verify the federal income tax withholding percentage from Form W8-BEN.
3. Once everything is verified, Accounts Payable will notify Treasury Services to process the wire transfer and will email the Tax Compliance Officer with payment information for year-end reporting.
4. The Tax Compliance Officer will verify that the correct federal income withholding percentage is listed from Form W8-BEN and will record the withholding liability.
5. The Tax Compliance Officer will notify Treasury Services when it’s time to submit the EFTPS for the federal income tax withholding. Treasury Services will then submit the EFTPS and submit the JV to record the withholding remittance.
6. After year-end, the Tax Compliance Officer will prepare and remit 1042-S forms to the IRS for all non-resident alien payments made during the calendar year and will email a list to the International Institute for their recordkeeping.