



University of Pittsburgh

Financial Operations Purchasing

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To: University Business Administrators

From: Vince Gavin

Date: December 18, 2002

Subject: Procedure Changes for Certain Payments to Foreign Nationals

The purpose of this letter is to articulate process guidelines for payments to foreign nationals who are not University students, faculty or staff and is a follow up to the November 27, 2002 letter to University Deans, Directors, Department Chairs and Business Administrators.

Effective January 1, 2003, the University will implement new procedures addressing payments to foreign nationals who are not University students, faculty and staff. These payments include those for independent personal services including speaker fees; awards and stipends where there is no expectation of services to be performed by the foreign national, and reimbursement of the foreign national's travel, lodging and business expenses incurred in connection with a visit to the University. University students, faculty and staff will continue to be processed through the University's Payroll system.

The actual process and forms necessary to pay a foreign national will vary depending on factors including whether the foreign national is in the U.S. in connection with the payment, the reason for the payment, or whether there is a U.S. treaty exemption that may exempt or partially exempt the payment from Federal income tax withholding. Compliance with Federal regulations pertaining to payments to foreign nationals unfortunately requires a process with many variables.

In response to the compliance requirements, the Foreign Tax Processing Unit of Financial Operations (FNTPU) has been created with primary responsibility for taxation and Federal reporting of payments to foreign nationals. Effective January 1, 2003, most payments to foreign nationals will be submitted to the FNTPU before payment. The FNTPU will ensure that appropriate documents are attached to the payment request, determine if the payment is exempt from Federal income tax, and report payments to the Federal government. However, payments for the reimbursement of travel, lodging and business expenses and payments made to a foreign national not in the U.S. are not subject

to Federal income tax withholding and reporting, and may be submitted directly to the Payment Processing Department for payment. In these two situations, no U.S. taxpayer identification number or supporting travel expense substantiation is required for payment, but a University Departmental Tax Payment Form must be completed by the appropriate department administrator and attached to the Disbursement Request. An Immigration and Naturalization Service Form I-94 Arrival/Departure Record must be attached for reimbursement of travel related expenses.

Other than expense reimbursements and payments to foreign nationals outside of the U.S., requests for payment to foreign nationals will be submitted to the FNTPU. A copy of the foreign national's INS Form I-94 Arrival/Departure Record, must accompany the Disbursement Request. If the foreign national requests exemption from Federal income tax, a University Foreign National Information Form (FNIF) and U.S. Taxpayer Identification Number must also be submitted with the Disbursement Request.

The attached Foreign National Tax Packet includes instructions, the Departmental Tax Letter, FAQs and procedural information that explains the process for various payment situations.

Information found in the Foreign National Tax Packet is also available at www.bc.pitt.edu, and select "Purchasers," then "Foreign National Tax Information." Questions pertaining to the taxation, treaty exemption, preparation of the Foreign National Information Form and reporting of payments to foreign nationals should be submitted to the Foreign National Tax Processing Unit at jkaus@bc.pitt.edu or 412-624-8079. Questions about documentation and the payment process are to be forwarded to the Payment Processing Department through the Purchaser's website at www.bc.pitt.edu, select "Purchasers" then "Inquiries."