The University of South Florida is required to withhold U.S. income tax at the time a payment is made to a nonresident alien (NRA) or to a third party on their behalf. The following is a list of common types of payments made to NRAs that are most frequently processed at USF. This list is not comprehensive; therefore, prior to processing any type payment for a nonresident alien it is imperative that you contact the NRA Tax Coordinator to discuss (see Contact Payroll under FIND IT).

1. Wages, salary or compensation
2. Independent contractor payments
3. Qualified and nonqualified scholarships and fellowship expenses
4. Honorarium for guest speakers
5. Prizes or awards
6. Royalties
7. Travel reimbursement
8. Living expenses
9. Interest

Generally speaking, unless there is an exemption, all payments are subject to income tax. Additionally, if the individual does not have a Social Security Number or ITIN, the payment will be taxed. The standard withholding rate for income tax on payments made to NRAs is 30%. This does not apply to wages or salary paid to employees. The tax rate for nonqualified scholarship and fellowship expenses is 14%. Travel reimbursements made to independent contractors are not subject to federal income tax or reportable to the IRS if made under an accountable plan.

All nonresident aliens are required to complete a Foreign National Information Form (FNIF) and provide copies of specified backup documents. The FNIF and backup documents are required to be submitted to the NRA Tax Coordinator who will determine, based on the information provided, if the payment is taxable and if additional documents are needed. Additional documentation may be requested if a reduced or complete exemption of federal withholding tax is available due to a treaty agreement. The NRA Tax Coordinator can prepare the tax treaty forms for the NRA’s review and signature.

Forms are available in the HR Forms Library.