Fees/Stipends Paid to Non-U.S. Citizens

When a department needs to pay a non-employee individual who is receiving a stipend or fee (as opposed to reimbursement of receipted expense) AND the individual is a non U.S. citizen who performed the service (or participated in a research project) in the U.S., the department needs to set the individual up in Glacier (the online nonresident alien tax software utilized by the A&M System) to address taxation issues. Ideally, this should be done prior to the date the individual engages in the service/activity for which he/she will receive payment. However, the Glacier process must be completed prior to creating the Non-PO Invoice in AggieBuy. Departments that do not know how to use Glacier need to contact TEES Payroll at 979.458.7493. Once the Glacier paperwork is returned by the individual to the department, the next step varies based on the scenario:

1. **Payments requiring an "[Independent Contractor Form](#)"** (used for speaker fees, research collaborators, contracted services).

   If according to the Glacier Tax Summary report, the foreign independent contractor (IC) will be required to have tax withholding, then an AggieBuy [non-PO based invoice](#) needs to be created by the department with **two** Non-PO Items. (The taxes are typically 30% for services.)

   On the first Non-PO Item, set up the entire amount of the payment, including the IRS taxes. This first entry will be charged to the department account. The second Non-PO Item will be for the IRS tax amount and is entered by the department as a <u>negative amount</u>. Instead of the department account, use FISC account 029966 and object code 2187 for the tax portion only when you get to the accounting section. The net of these two line items will be remitted to the vendor.

   In the example below, we agreed to pay the IC $100 for a service. Their Glacier paperwork shows an applicable tax withholding rate of 30% so we need to setup **two** Non-PO Items on the AggieBuy non-PO invoice. The first line is for the total amount for the payment ($100 in this case). The second line is for 30% of the total, which is $30 in this example (you will always need to do the math to determine your amount of taxes). We entered the $30 with a negative sign in front of it. Notice that the document has now summed to $70, which is appropriate as $30 will be sent to the IRS on his behalf and he will receive a check for $70. Please look carefully at the below screenshots to understand this concept.

Subtotal	70.00
Terms Discount	0.00
Discount	0.00
Tax1	0.00
Shipping	0.00
Handling	0.00
Total	**70.00 USD**

In the "Codes" section of AggieBuy put in the department account that will pay the full $100 payment in the header line. Then click "view/edit by line item".

For the IRS tax line, click "go" under line item details and fill in with department code 28-FISC, account 28-029966-00000 and object code 2187. See example below.

Then complete your invoice entry following typical procedures. Ultimately, your department will pay the full amount ($100 in this example) with the net amount ($70) going to the IC and the tax amount ($30) being remitted electronically to the IRS by the Fiscal Office.

If your department wants to pay the taxes for the individual (in other words, "gross up" the payment), see instructions at the end of this document for calculating the gross up. After you have done that calculation, the concept is the same for your entries into AggieBuy.

2. **Stipend Payments**

TEES can pay a stipend to visiting scholars, as an offset to living expense (must have invitation letter) or a stipend to research participants. Follow the typical permissions for such payments and make sure you have a completed Stipend Payment form. If according to the Glacier Tax Summary report the foreign stipend recipient will be required to have tax withholding, then an AggieBuy non-PO based invoice needs to be created by the department with **two** Non-PO Items. (The taxes are typically 14% for scholarship/fellowship non-services.) On the first Non-PO Item, set up the entire amount of the payment,

including the IRS taxes. This first entry will be charged to the department account. The second Non-PO Item will be for the IRS tax amount and is entered by the department as a <u>negative amount</u>. Instead of the department account, use FISC account 029966 and code 2187 for the tax portion only. The net of these two payments will be remitted to the vendor.

In the example below, we agreed to pay the visiting scholar a stipend of $100. Their Glacier paperwork shows an applicable tax withholding rate of 14% so we need to setup **two** Non-PO Items on the AggieBuy non-PO invoice. The first line is for the total amount for the payment ($100 in this case). The second line is for 14% of the total, which is $14 in this example (you will always need to do the math to determine your amount of taxes). We entered the $14 with a negative sign in front of it. Notice that the document has now summed to $86, which is appropriate as $14 will be sent to the IRS on his behalf and he will receive a check for $86. Please look carefully at the below screenshots to understand this concept.

Line Item Details

Hide line details

Add new PO   Add Non-PO Item

For selected line items Remove Selected Items ▼

<No PO Number>

PO Line	Product Description		Catalog No	Size / Packaging	Unit Price		Quantity		Ext. Price	
1 ✓	Visiting Scholar Payment 📷 more info…		na	EA	100.00	USD	1	EA	100.00 USD	☐
					select contract…					

					From header	Line-level	
PO Number	no value		External Note	add note…			
Substitute Item	✗		Internal Note	add note…			
Taxable	☑		Discount, tax, shipping & handling				
Capital Expense	☐			From header	Line-level		
Commodity Code	[ ] 🔍		Discount	0.00 USD	0.00	USD	
			Tax 1	0.00 USD	0.00	USD	
			Shipping	0.00 USD	0.00	USD	
			Handling	0.00 USD	0.00	USD	

PO Line	Product Description		Catalog No	Size / Packaging	Unit Price		Quantity		Ext. Price	
2 ✓	IRS portion of payment 📷 more info…		na	EA	−14.00	USD	1	EA	−14.00 USD	☐
					select contract…					

					From header	Line-level	
PO Number	no value		External Note	add note…			
Substitute Item	✗		Internal Note	add note…			
Taxable	☑		Discount, tax, shipping & handling				
Capital Expense	☐			From header	Line-level		
Commodity Code	[ ] 🔍		Discount	0.00 USD	0.00	USD	
			Tax 1	0.00 USD	0.00	USD	
			Shipping	0.00 USD	0.00	USD	
			Handling	0.00 USD	0.00	USD	

Subtotal	86.00
Terms Discount	0.00
Discount	0.00
Tax1	0.00
Shipping	0.00
Handling	0.00
Total	**86.00 USD**

In the "Codes" section of AggieBuy put in the department account that will pay the full $100 payment in the header line. Then click "view/edit by line item"

Codes

LINE

Fiscal Year	Member ID	Department Code	Account Code	Class Code	Object Code	Special Routing1	Report Reference C	Report Reference D	
2017	28 Texas A&M Engineering Experiment Station	28-FISC 28-Fiscal Office	28-205637-00000 Fiscal Office	no value	no value	L Local	no value	no value	edit

Add alternate distribution for Discount ▼ Go

View/edit by line item…

For the IRS tax line, click "go" under line item details and fill in with department code 28-FISC, account 28-029966-00000 and object code 2187. See example below.

Line Item Details

For selected line items [Remove Selected Items ▼]

	PO Line	Product Description		Catalog No	Size / Packaging	Unit Price	Quantity	Ext. Price
1	✓	Visiting Scholar Payment 📄 more info...		na	EA	100.00 USD	1 EA	100.00 USD ☐
		Accounting Codes (same as header)						
		Add alternate distribution for [Line ▼] [Go]						
2	✓	IRS portion of payment 📄 more info...		na	EA	−14.00 USD	1 EA	−14.00 USD ☐
		Accounting Codes (same as header)						
		Add alternate distribution for [Line ▼] [Go]						

Accounting Codes   ? X

LINE

Fiscal Year	Member ID	Department Code	Account Code	Class Code	Object Code	Special Routing1	Report Reference C	Report Reference D	add split
2017	28	28-FISC	28-029966-00000		2187 ✕	no value			
Select from profile values...	Select from profile values...	Select from profile values...	Select from profile values...	Select from profile values...	Select from all values...			Select from all values...	
Select from all values...	Select from all values...	Select from all values...	Select from all values...	Select from all values...					
								recalculate / validate values	

[Recalculate and Save]   [Cancel]

Then complete your invoice entry following typical procedures. Ultimately, your department will pay the full amount ($100 in this example) with the net amount ($86 in this example) going to the stipend recipient and the tax amount being remitted electronically to the IRS by the Fiscal Office.

If your department wants to pay the taxes for the individual (in other words, "gross up" the payment), see instructions at the end of this document for calculating the gross up. After you have done that calculation, the concept is the same.

In both scenarios, the amount entered on non-PO invoice against the 029966 account will be remitted to the IRS after final approval of the invoice. All payments and taxes withheld will be reported on an IRS Form 1042-S to the recipient following the end of each calendar year that payments were issued. Any questions regarding how to report the income and withholding on a U.S. tax return will have to be directed to the IRS or a tax advisor. Additionally, in all situations, a vendor for the individual will need to be created in AggieBuy prior to the requisition submission.   Review the Vendor Setup documentation for more information.

Calculating the Net Amount and "Gross up" a Payment

Occasionally departments want to pay the taxes on behalf of the foreign individual. That can be done by grossing up the payment and therefore additional department funds are spent. For this example, assume the original payment was to be $300. Glacier paperwork showed a tax withholding rate is 14%. Therefore, the individual will receive only $258 unless it is grossed up. The IRS will receive $42 in this situation (14% of $300). The $42 is the second line item and is created against account 029966, if it is not grossed up. Please perform the math for each situation as the tax percentages vary (30% or 14%) as do the amounts of payment. When you gross up, divide the original payment amount ($300 in this example) by 1 minus the withholding rate (so .86 if the withholding rate is 14%). For our example, the new gross amount will be $349 and the tax withholding will be $49. Since the net payment is $300, the first line item of the non-PO invoice would be for $349 and the second non-PO item would be entered as a negative $49.