

Payments to Non-Resident Alien Individuals and Foreign Vendors

Payments to Non-Resident Alien (NRA) Individuals and Foreign Vendors are often subject to tax withholding depending on the type of the payment, source of the activity, residency status, or tax treaty applicability.

Examples of payments that may be subject to withholding include but are not limited to:

- **Payments for Services**
- **Royalties**
 - Software
 - Copyrights
 - Film
 - Licenses
- **Prizes/ Awards**
- **Scholarships/Fellowships**

Financial Services reviews all payments to NRAs and Foreign Vendors to determine the applicable withholding requirements. Payments may be subject to withholding of up to 30% for federal tax and 8% for state tax.

For Example:

The University contracts to pay a Non-Resident Alien in the amount of \$1,000 for services performed in the United States. Financial Services has determined that this payment is subject to 30% federal tax withholding and 8% state tax withholding.

The paying department will have the option to deduct the taxes from the individual payment or gross up the payment to account for the taxes.

If taxes are withheld from the payment, the department would be responsible for a total payment of \$1,000. \$620 would be paid to the individual, \$300 would be withheld and remitted for federal taxes, and \$80 would be withheld and remitted for state taxes.

If the payment is grossed up, the department would be responsible for a total payment of \$1,612.90. \$1,000 would be paid to the individual, \$483.87 would be withheld and remitted for federal taxes, and \$129.03 would be withheld and remitted for state taxes.

Questions:

If you have questions about withholding requirements for a particular vendor payment, please e-mail 1099@ou.edu.