

FOREIGN ENTITY PAYMENTS – COLLEGE/UNIVERSITY PROCESS

1. College or university follows Minnesota State Purchasing & Contract Procedures
2. Campus Data Gathering
 - a. Campus gathers IRS W-8 series form from foreign vendor, and
 - b. Completes Minnesota State's internal Foreign Vendor Intake Form, and
 - c. Sends both forms with the purchase contract and/or invoice to Tax Services via MoveItSecurely to tax@minnstate.edu
 - d. Campus **does not** contact Minnesota Management and Budget (MMB) directly
3. Tax Review & Determination:
 - a. Tax Services will review the contract/invoice, the W-8 & the Foreign Vendor Intake information. When necessary, Tax will contact the campus to request further details and/or documents (See page two for examples).
 - b. Tax will determine whether the payment may be made and what tax withholding and/or reporting is required and communicate this determination to the campus on a signed Foreign Vendor Intake form.
4. MMB & SWIFT
 - a. Tax Services provides the intake form & vendor's W-8 form to MMB and either requests a new foreign supplier record be created in SWIFT or that an existing supplier be activated so that the college/university may contract with and/or make payment to the foreign supplier.
 - b. All payments to foreign suppliers will initially be placed on a "hold" per MMB's Foreign Supplier Policy. MMB's Systems Compliance team will release the payment hold after reviewing the information provided on our intake form.
 - c. For status updates on a payment hold, please contact MMB at syscomp.mmb@state.mn.us
5. For local fund payments subject to nonresident alien tax withholding and/or reporting, campus reports payment to Tax Services on a monthly basis via the NRA Vendor Tax Reporting Spreadsheet.
6. If NRA tax is withheld from a local fund payment to a foreign supplier, the tax is remitted to Tax Services in Workday as follows:
 - Create a supplier invoice using: Supplier id MN STATE LBA BUSINESS OFFICE
 - For an Invoice Number use: NRA Tax
 - Choose spend category: SC0358 Nonresident Alien-Fed Tax Withholding
 - In the memo area write in: "NRA Tax – (brief description)". Ex: NRA Tax – Speaker Jodi Smith; NRA Tax – Raffle Winners 8/2024
 - Send Tax the [NRA Payments Tax Reporting spreadsheet](#)
7. To remit the withheld tax to Tax Services via Workday:
 - Create a supplier invoice using: Supplier id MN STATE LBA BUSINESS OFFICE
 - For an Invoice Number use: NRA Tax
 - Choose spend category: SC0358 Nonresident Alien-Fed Tax Withholding
 - In the memo area write in: "NRA Tax – (brief description)". Ex: NRA Tax – Speaker Jodi Smith; NRA Tax – Raffle Winners 8/2024
 - Send Tax the [NRA Payments Tax Reporting spreadsheet](#)

Minnesota State Foreign Entity Payments [Forms and Procedures](#)

Colleges/Universities must follow the Minnesota State Foreign Entity Payment Process and send all required information and paperwork to Tax Services.

Minnesota Management and Budget [Foreign Suppliers Business Process](#)

Important: Tax Services will communicate with MMB on the behalf of Minnesota State colleges and universities to facilitate the set up and activation of foreign suppliers in SWIFT. **Do not** complete MMB's intake form.

Examples of Documents That May Be Requested

Honorarium

- [Foreign Vendor Intake Form](#)
- [Vendor Tax Residency Information Form \(TRIF\)](#)
- [IRS Form W-8BEN](#)
- [B Honoraria Eligibility Certification Form](#)
- Foreign Passport
- I-94 Arrival/Departure Record

If visitor has a U.S. tax identification number and if they are eligible to claim a tax treaty benefit to exempt the payment from nonresident alien taxation:

- [IRS Form 8233](#), Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual

Software

- [Foreign Vendor Intake Form](#)
- [IRS Form W-8BEN-E](#) or [IRS Form W-8ECI](#)
- Is the software being downloaded to a computer in the U.S.?
- If online software, where is the foreign company's computer server located?

Services outside the US

- [Foreign Vendor Intake Form](#)
- IRS Form W-8
 - Foreign company's [IRS Form W-8BEN-E](#)
 - Individual's [IRS Form W-8BEN](#)

Services inside the US

- [Foreign Vendor Intake Form](#)
- IRS Form W-8
 - Foreign company's [IRS Form W-8BEN-E](#)
 - Individual's [IRS Form W-8BEN](#)

If payment is to an individual:

- [Vendor Tax Residency Information Form \(TRIF\)](#)
- Passport
- I-94 Arrival/Departure Record
- Proof of Eligibility to Work in the U.S.

If visitor has a U.S. tax identification number and if they are eligible to claim a tax treaty benefit to exempt the payment from nonresident alien taxation:

- [IRS Form 8233](#), Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual

Foreign Vendor Payment Examples:

Example A:

To increase enrollment of South American students at their campus, MSU, Mankato is contracting with a new recruitment agent who lives in Argentina. All recruitment services will be performed in South America. Mankato sends Tax the recruiter's W-8BEN form and completed Minnesota State Foreign Vendor Intake form. Tax reviews the W-8 for accuracy. The Foreign Vendor Intake Form says that all services will be performed overseas, so Tax determines that there will be no tax withholding or reporting required. Tax notes this on the Foreign Vendor Intake Form, signs the form and returns it to MSU, Mankato. Tax provides MMB with the signed W-8 and Foreign Vendor Intake form and requests MMB set up the recruiter in SWIFT. When setting up the contract in MarketPlace or Workday, Mankato indicates that the vendor is foreign and uploads the completed Foreign Vendor Intake Form & W-8BEN as attachments.

Example B:

Lake Superior College (LSC) is purchasing flight simulation software from a Canadian company which has a SWIFT supplier ID. They gather a current W-8BEN-E form from the company and complete the Foreign Vendor Intake Form. LSC indicates on the form that the software will be loaded onto a computer located on their campus. Because the software is loaded onto a computer in the U.S., the payment is considered U.S. sourced royalty income and is subject to federal nonresident alien taxation and reporting. On the W-8BEN-E, the company claims exemption from taxation citing the US-Canadian tax treaty benefit Article 12 for royalty income. Tax notes this on the Foreign Vendor Intake Form, signs the form and returns it to LSC. When setting up the contract in MarketPlace or Workday, LSC indicates that the vendor is foreign and uploads the completed Foreign Vendor Intake Form & W-8BEN-E as attachments. Tax provides MMB with the signed W-8 and intake form and requests that the SWIFT supplier record be activated.

Example C:

Fond Du Lac Tribal & Community College is hosting an Indigenous Education Conference and has invited a First Nation motivational speaker who resides in Canada to be the keynote speaker. FDLCC will be paying the speaker an honorarium and reimbursing the speaker's travel expenses. The campus gathers IRS form W-8BEN from the speaker, completes the Foreign Vendor Intake form and sends both forms to Tax Services. Tax then requests the following information:

1. Vendor Tax Residency Information Form (TRIF)

This form requests the number of days, the immigration status and the purpose of any trips into the U.S. the visitor has made in the current year and the two years preceding. The information is used to determine the visitor's tax residency status so that we know if they are subject to federal nonresident tax and reporting.

2. What immigration status the speaker will be coming into the US under?

Foreign individuals must have authorization to work in the U.S. in order to receive compensation for services performed in the U.S. An exception exists for honorariums paid

to foreigners who enter the country under B visitor/business status or under a visa waiver status.

3. B Honoraria Eligibility Certification

If the visitor is coming into the U.S. under B visitor status or under a visa waiver program, we are allowed to pay them if they perform academic services for the benefit of the college/university, the activities last no more than 9 days at the college/university, and if the visitor has not accepted honoraria from more than 5 other institutions in the previous 6 month. This is known as the 9-5-6 Rule.

4. IRS Form 8233 Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual

If the visitor has a U.S. tax identification number and if they are eligible to claim a tax treaty benefit to exempt the payment from nonresident alien taxation, Form 8233 can be filed to exempt the payment from the 30% nonresident alien tax.

Tax works with the campus to gather all the available documentation. On the Foreign Vendor Intake Form, Tax indicates whether tax withholding will be necessary and signs the form. Tax sends the signed intake form and W-8BEN to MMB and requests that they set up a new foreign vendor in SWIFT. When setting up the contract in MarketPlace or Workday, the campus indicates that the vendor is foreign and uploads the completed Foreign Vendor Intake Form & W-8BEN as attachments.