

Section: Business and Support Operations
Subject: Payment to Foreign Vendors

Section Number: 3.06.21
Date of Present issue: 11/18/19
Date of Previous Issues: None

Lake Superior State University doing business with any non-resident alien (foreign national) or foreign organization on U.S. soil is required by U.S. tax laws to collect information to determine their tax status. To meet IRS requirements, the following forms must be submitted to LSSU Purchasing:

- 1) the appropriate [W-8 form](#),
- 2) proof of visa authorizing that the visitor(s) can perform services for pay in the U.S., and
- 3) a Central Withholding Agreement.

If there is no Central Withholding Agreement then:

- For individuals claiming tax exemption under a tax treaty (see IRS [publication 901 - US Tax Treaties](#)), [Form 8233](#) must be attached. The IRS requires that LSSU, as the Withholding Agent, submit Form 8233 to the IRS. Before payment can be made, the IRS also requires that we wait at least 10 days after a Form 8233 has been properly mailed to the IRS to see whether the IRS has any objections.
- For foreign organizations claiming exemption under a tax treaty, [Form W-8EXP](#) must be attached and must also be accompanied by a letter from a U.S. attorney or the IRS stating the organization is tax exempt.

If the U.S. does not have a tax exemption treaty with the foreign vendor's country of residence that exempts payments from U.S. federal income tax withholding, or if the required forms have not been correctly completed before payment is processed, 30% (or % per treaty) of the total payment due will be withheld by LSSU and remitted to the IRS.

Payments made to foreign vendors under this policy are required by the IRS to be reported annually on IRS Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding). Reporting is required regardless of whether or not withholding is required.