

SECTION: 4.0 Administrative

SUBJECT: International Student Tax Documents

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**Background:** Summarizes the required documentation and processes for international students to comply with federal tax reporting requirements.

**Point of Contact:** Controller's Office/Student Accounts

**Other LCSC offices directly involved with implementation of this policy, or significantly affected by the policy:** Student Affairs, International Programs, Financial Aid, Athletics, College Advancement, Human Resources, Security, Registrar, and Residence Life.

**Date of Approval by LCSC:** July 7, 2016

**Date of State Board Approval:** N/A

**Date of Most Recent Review:** 07/2016

**Summary of Major Changes incorporated in this revision to the policy:** This is a new policy.

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## 1. Policy:

- A. It is the policy of the institution that at the beginning of each term all international students fill out the documentation needed to accurately report non-qualified scholarship income for the purposes of tax reporting and withholding of taxes at the appropriate rate. This includes, but is not limited to, IRS forms 13614NR, W-7, W-8BEN, and/or 8233.
- 1) International students who receive non-qualified scholarship/funding are subject to the statutory rate of 30 percent income tax withholding. Qualified scholarships are not subject to tax withholding. Documentation from the student is **needed prior to funding** in order to withhold tax at less than the statutory rate.
  - 2) All funding must be reported to the Financial Aid Office and Student Accounts in the Controller's Office. Financial Aid Office will record reported funding in Colleague. Student Accounts will use this information to determine tax liability.
  - 3) International students from countries with treaty benefits **may** be exempt from the tax withholding requirement on non-qualified income depending on their unique circumstances, such as immigration status, days of presence in the United States in the current tax year and the two prior tax years, and protocols within the tax treaty. The tax liability can be reduced from the 30 percent statutory rate to 14 percent or the need to withhold taxes can be eliminated, depending on the tax treaty and other information. The appropriate tax amounts will be added to the student accounts and payable by the student. While there is no federal law or regulation that requires an International Student to have an SSN or ITIN, it is needed in two situations:
    - a) For a claim under an income tax treaty provision for exemption from tax on any amount other than investment income on publicly traded investments.

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- b) For reporting income and taxes withheld, if any. Not all reporting requires an SSN or ITIN. For example. No SSN or ITIN is required to be reported on a Form 1042-S if tax was withheld at the statutory rate.

**2. Process:**

- A. When a department offers funding to an international student, or is aware of any funding source for any international student, they are required to immediately report this information to the Financial Aid Office and Student Accounts. This funding can include, but is not limited to, tuition and fees, room and board, payment for transcripts, parking fines, and gift cards.
- B. The International Programs Office (IPO) will advise international students regarding funding that is subject to IRS taxes and advise them of upcoming communications from Student Accounts staff in the Controller's Office.
- C. Student Accounts staff will email international students to obtain documentation to determine if tax withholding can be reduced from the statutory rate. Students will be notified by LCMail of the applicable tax rate. Tax documentation will be housed with Student Accounts in the Controller's Office and is available if needed by IPO or Human Resources.
- D. Student Accounts staff will review documentation and determine what is qualified funding and exempt from taxation, and what funding is unqualified funding and the appropriate tax rate to assess the student account.
- E. Students may turn in receipts to reduce tax liability when funding is provided for books and required supplies, as defined by IRS regulations. Receipts must be submitted to Student Accounts immediately and will not be accepted after 30 days from date of purchase or the first day of the semester.
- F. Taxes will be charged to the student account based on documentation available and remitted to the IRS as required by federal regulations. Failure to provide timely documentation will result in a tax withholding at the statutory rate of 30 percent.
- G. Tax liability for wages is processed by Human Resources and/or the Idaho State Controller's Office.
- H. Tax withholding charged to student accounts has the same fee payment deadlines as any other charge.
- I. Holds may be placed on student accounts with missing or pending information or unpaid balances.