

Contract Services and Honoraria for U.S. Citizens and Foreign Nationals

Payments to U.S. Citizen Independent Contractors are not subject to tax withholding. However, a foreign national (nonresident alien) is subject to U.S. tax on their U.S. source income. Most types of U.S. source income received by a foreign person are subject to U.S. tax of 30%. A reduced rate, including exemption, may apply if there is a tax treaty between the foreign person's country of residence and the United States. Contact the tax office to determine if a vendor qualifies for a tax treaty exemption.

Type of Income

CONSULTING, INDEPENDENT PERSONAL SERVICE

Specialized services provided to the University by nonuniversity individuals such as consultants or other independent personal service providers. These individuals may be US citizens or resident aliens and are for tax purposes either an individual, sole proprietor, association or other non-incorporated entity. A nonresident alien also can provide Independent Personal Service.

FOR A U.S. CITIZEN: NO TAX WITHHOLDING

FOR A NONRESIDENT ALIEN:

- Visa status must be **B1/B2**, [any other visa status should be reviewed and approved by the Office of General Counsel, prior to vendor signing contract with UH.](#)
- Upload UH General Counsel's approval email to the voucher payment
- If eligible for a tax treaty benefit, then **0%** tax withheld (**Note: U.S. Social Security number required**)
- If not eligible for a tax treaty benefit, then payment is subject to **30%** tax withheld
- Route voucher through tax workflow for approval

HONORARIUMS AND CONTRACT SERVICES

An honorarium is defined as a payment for personal service. Typically, Honoraria are for guest lectures/speakers/artists, or other brief educational services provided to the University by outside experts.

FOR A U.S. CITIZEN: NO TAX WITHHOLDING

FOR A NONRESIDENT ALIEN:

- Visa status must be **B1/B2**, [any other visa status should be reviewed and approved by the Office of General Counsel, prior to vendor signing contract with UH.](#)
- Upload UH General Counsel's approval email to the voucher payment
- If eligible for a tax treaty benefit, then **0%** tax withheld (**Note: U.S. Social Security number required**)
- If not eligible for a tax treaty benefit, payment is subject to **30%** tax withheld
- Route voucher through tax workflow for approval

Payment Instructions for Types of Income Listed Above:

- The vendor must check citizenship status (for tax purposes only) on the (1) Contract or (2) Speaker Agreement, to determine if the payment is subject to tax withholding. See examples below.

34. FOREIGN NATIONAL INFORMATION ADDENDUM: Contractor must check the appropriate box. The Contractor **IS NOT BOTH** an **individual** and a **Foreign National** (i.e., is not a U.S. Citizen or U.S. Resident Alien) or the Contractor **IS BOTH** an **individual** and a **Foreign National** . A Contractor who is **BOTH** an individual and a Foreign National must complete the Foreign National Information Addendum located on the University of Houston website (<http://www.uh.edu/legal-affair/contract-administration/contract-documents/amendments-addenda/>) and submit it with this Agreement to the University. This information is required to ensure that the Contractor is eligible to receive payment and that the correct tax withholding, if any, is applied to that payment. The Foreign National Addendum must be submitted at least three weeks before services will be performed under this Agreement. Foreign Nationals are not required to attach the Foreign National Information Addendum to this Agreement.

Check this box if vendor is U.S. Citizen or Non-individual

Check this box if vendor is a Foreign National. Must complete the Foreign National Information Addendum

FOREIGN NATIONAL ADDENDUM REQUIRED: Speaker must check the appropriate box. The Speaker **IS NOT BOTH** an **individual** and a **Foreign National** (i.e., is not a U.S. Citizen or U.S. Resident Alien) or the Speaker **IS BOTH** an **individual** and a **Foreign National** . A Speaker who is **BOTH** an individual and a Foreign National must complete the Foreign National Information Addendum located on the University of Houston website (<http://www.uh.edu/legal-affair/contract-administration/contract-documents/amendments-addenda/>) and submit it with this Agreement to the University. This information is required to ensure that the Speaker is eligible to receive payment and that the correct tax withholding, if any, is applied to that payment. The Foreign National Addendum must be submitted at least three weeks before services will be performed under this Agreement. Foreign Nationals are not required to attach the Foreign National Information Addendum to this Agreement.

Check this box if vendor is U.S. Citizen or Non-individual

Check this box if vendor is a Foreign National. Must complete the Foreign National Information Addendum

• Follow the instructions for each checked box

- For payments without a Contract, Speaker Agreement Form, or Purchasing Agreement Form, department should have the vendor complete the “Foreign National Information Addendum” found in the Tax website http://www.uh.edu/finance/pages/tax_info.htm. Upload the addendum to the voucher. Foreign nationals must complete the full addendum and upload to the voucher.
- The foreign national could be eligible for a tax treaty exemption. Please contact the Tax Department (listed below) for instructions on how to apply for the exemption.
- After receiving approval from the Office of General Counsel for payment to the vendors with visas other than a B-1/B-2, the department will upload the approval email to the voucher and apply the **30%** tax withholding using account code **20611** and cost center **2080-H0258-F0855-BPXXXX-NA** or Speed type 24299. Route voucher through tax workflow for approval. See example below on how to apply the tax withholding.

Handling: BP
Budget Check: Valid

Source: CLS

Acct./Desc.	Fund	Dept.	Prog.	Bud. Ref.	Proj.	Chartfield 1	Amount	Description
52404 lecturers and artists	2064	H0504	D0478	BP2018	NA		300.00	Honorarium
20611 tax liability, nonresident ali	2080	H0258	F0855	BP2018	NA		-90.00	Tax

tax withholding amount should be a negative (-)

FOREIGN SOURCE INCOME

Compensation paid to a nonresident alien for services performed entirely outside of the United States is considered to be “**Foreign Source Income**”; therefore, no U.S. tax withholding is required. This exclusion from gross income is applicable to both dependent compensation (i.e., employee wages) and independent compensation (i.e., independent contractor fees).

The service Contract must state that the services are being performed outside the U.S. Otherwise, the vendor can sign the “Foreign Source Statement” (see below) and upload the statement to the voucher. Voucher must be routed through tax workflow for approval. To access and edit the statement, refer to the tax website.

Statement for Services Performed Outside the United States
(Employees or Independent Contractors)

I, _____ (Name), certify that I am not a U.S. citizen or permanent resident alien, and all (or the specified portion) of the services I perform for (name of Institution) are performed in (name of country).

(Print Name) (Signature) (Date)

Note: The Author suggests the statement be on the institution's letterhead and signed by the individual who performs the service; alternatively, it is presumed that an email from the person's email address would also suffice.

Tax Department contact information:

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