

August 18, 2010

I did not claim the income treaty exemption that my country has with the United States when I filled out my GLACIER information and my scholarship/fellowship was taxed, can I go back and redo my GLACIER information and claim the income treaty exemption?

Yes, you may update your GLACIER information anytime. However, any changes you make will only affect future transactions or payments you receive from UC Merced.

The treaty exemption is not retroactive. You must have the treaty exemption in place before the scholarship/fellowship is disbursed in order for you to take advantage of the tax benefit.

August 12, 2010

My country of residence has an income treaty with the United States. Should I claim the income treaty when I fill out my GLACIER information?

Generally, it is most advantageous to claim the income treaty when your country of residence has an income treaty with the United States. Claiming the income treaty will lower the tax that UC Merced is required to withhold from your payment.

July 20, 2010

I received my fellowship payment today. Why it is lower than the amount I am entitled to or what is stated in my contract?

Generally, you would receive a hundred percent (100%) of your fellowship unless there is a tax due. For nonresident aliens (NRA) the tax rate for unqualified fellowship is fourteen percent (14%) unless the payee's country of residency has a treaty with the United States. By law, UC Merced has to withhold the applicable income tax amount before disbursing the funds. For further information regarding the amount you received, please contact the Tax Services at (209) 200-3743 by phone or tax@ucmerced.edu by email.

July 19, 2010

What does a W-9 with an EIN beginning with "98" mean?

A Form W-9 was sent to a new vendor that was being set up as 1099 reportable, and the W-9 was returned filled in with a tax ID number formatted as a federal Employer Identification Number (EIN) that started 98-. This established reason to doubt that it was actually a U.S. entity, because the Internal Revenue Service (IRS) does not initially assign U.S. businesses any EINs that have 98 as the first two numbers. Foreign entities can be give a 98 EIN for treaty claim purposes, or to use to file a U.S. tax return to pay taxes on U.S. effectively connected income (ECI). Entities can later be incorporated in the U.S., and if they do, in many cases, the IRS will let them keep their 98 EIN. So just because you receive a W-9 with a 98 EIN does not always mean that the company is foreign. However, it is necessary for you to follow up with the vendor to obtain more information when receive a W-9 that starts with 98-, and obtain an acceptable form to document their status for tax purposes.

If the vendor tells you they are indeed a U.S. entity, you should obtain proof of that (a copy of the articles of incorporation, for example) and attach it to the W-9 for your records. If they are still a foreign

entity, obtain from them the appropriate Form W-8, which is a form certifying their foreign status. This is true even if they have a U.S. office and file a U.S. tax return. Most often in this situation the appropriate form is a W-8ECI if it is a foreign vendor where the income is “effectively connected” with a business operation it has in the U.S. If foreign, without a W-8ECI, or without a W-8BEN (if that is the appropriate form) claiming treaty benefits, the vendor will be subject to the tax rules for 30% withholding (unless a lower rate is appropriately claimed on the W-8), plus IRS reporting on Form 1042-S, and IRS reporting on Form 1042, for payments of U.S. source income.