

Global Research Administrators Network and Development

International Payroll

December 2016



Agenda

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- Tax Treaties
- US Citizens Working in a Foreign Country
- Non-US Citizens Working in a Foreign Country
- Immigration Classifications and Work Authorization
- Questions

International Payroll

- General



International Payroll - General

- When hiring, **DO NOT PROMISE** that paychecks will have no taxes withheld
- Each international employee is unique and Payroll will work with them to evaluate their tax status
- International employees **MUST** have a **SSN** (social security number)
- Payroll will contact employees once their hiring paperwork has processed through HR
- Questions about International taxation can be emailed to payroll@ctrl.msu.edu

International Payroll - General

- **J-1 Academic employees:** may be exempt from FICA/Medicare taxes (Visa Statement) and Federal and State taxes (Tax Treaty)
- **J-1 and F-1 Student employees:** may only be exempt from FICA/Medicare taxes (Visa Statement)
- MSU **DOES NOT** offer tax treaties to International Student employees

Foreign National Information



Foreign National Information

- Social Security Card
- Passport Picture Page
- Passport Visa Page
- I-94 Form (DHS Arrival/Departure Record) – if not inside passport, go to www.cbp.gov/i94 to obtain copy of form
- I-20 or DS-2019 Document
- MSU Spartan Card
- Employment Authorization Document – if one has been issued

Foreign National Information

- Employee provides required documentation to Payroll
- Payroll analyzes employee's tax situation and prepares necessary paperwork
- Employee signs documents
- Payroll updates HR/Payroll system with tax information
- System will process earnings and tax/refund if appropriate (only for current calendar year)

Visa Statements



Visa Statements

- Applies to exemption from **Social Security** taxation only (FICA/Medicare taxes)
- MSU allows only J-1 and F-1 Visa holders to be eligible for exemption
- **Non-student employees** are usually on a **J-1 Visa** and exempt for **2 calendar years**
- **Student employees** are usually on a **F-1 Visa** and exempt for **5 calendar years**
- **Exempt period** starts on first day of arrival in U.S. (based upon calendar year)
- **Substantial Presence** test after exempt period expires

Tax Treaties



Tax Treaties

- Applies to exemption from **Income** taxation only (Federal/State taxes)
- Tax treaty benefits are extended to **Academic J-1 Visa** holders only
- Many factors determine eligibility and not all foreign countries have a tax treaty with the U.S.
- MSU uses Windstar (official tax source) for determining tax exemption due to tax treaty
- Form 8233 required to be sent to IRS – yearly deadline for submission and not allowed to file for a prior year

US Citizens Working in a Foreign Country



US Citizens Working in a Foreign Country (673)

- US Citizens working for MSU but in a foreign country
- Form 673 - Exemption From Withholding on Foreign Earned Income
- Exempt from paying U.S. income taxes (Federal/State) on earnings up to yearly threshold (\$101,300 in 2016, \$102,100 in 2017)
- Still pay Social Security taxes (FICA/Medicare)
- Employee must meet IRS requirements to claim wages exempt from taxation
- Must be renewed each year

Non-US Citizens Working in a Foreign Country

Non-US Citizens Working in a Foreign Country

- Non-US Citizens working for MSU in a foreign country
- Paying a non-US Citizen in a foreign country may require additional reviews and will not always be possible.
- Exempt from paying ANY U.S. taxes:
 - Income taxes (Federal/State)
 - Social Security taxes (FICA/Medicare)
- Must be renewed each year
- These employees may or may not have a SSN

Immigration Classifications and Work Authorization

Immigration Classifications and Work Authorization

- **B-1** Temporary visitor for business
- **B-2** Temporary visitor for pleasure
- **F-1** International Students
- **F-2** Dependents of F-1
- **H1-B** Temporary worker in special occupation
- **J-1** Exchange visitor – teacher or researchers
- **J-2** Dependent of J-1 Exchange visitor
- **TN** Temporary worker in special occupation from Canada

Questions?

