REPORTING FOREIGN
AND
CALIFORNIA NONRESIDENT ALIEN VENDORS
PROVIDING SERVICES IN CALIFORNIA



Revised 11/2024

FOREIGN AND CALIFORNIA NONRESIDENT ALIEN VENDORS PROVIDING SERVICES IN CALIFORNIA

When a non-U.S. vendor is paid, there are additional and distinct reporting requirements. Foreign vendors are not issued a Form 1099 Misc., but are instead reported on Form 1042-S. This is applicable whether the foreign vendor is an individual, partnership or corporation.

Foreign vendors are required to complete the appropriate Form W-8 (remains in effect for a period starting on the date the form is signed and ending on the last day of the third succeeding calendar year), instead of the Form W-9 normally used. Similar to the W-9, it is used for reporting when services are supplied.

California Nonresident vendors are required to complete Form W-9, but in addition to a 1099 Misc., they must also be furnished with Form 592-B.

FEDERAL: When a non-US vendor is paid, additional and separate reporting requirements are necessary. Foreign vendors providing services within the US may be subject to federal tax withholding up to 30% on all payments. There are no threshold amounts for foreign vendors:

1. If the vendor claims treaty benefits on payments for services rendered in the U.S., have the vendor complete Form 8233 for determination of tax treaty.
    a. The form needs to be mailed to the IRS or faxed to the IRS at 267-941-1365 within 5 days of your acceptance.
    b. Allow 10 days to see whether the IRS has any objections to the form.
    c. Tax Treaty information:
        i. https://www.irs.gov/pub/irs-pdf/p901.pdf
        ii. Tables:
            A. https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables
            B. https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z

2. If the IRS objects to the Form 8233, then withhold at 30% for Federal (see IT's recommendations for paying a foreign vendor through Escape).

3. If you make a payment to a foreign vendor for services, you must file a Form 1042-S. <u>This applies even if you did not withhold tax because the income was exempt from tax under a US tax treaty</u>:
    a. Federal form 1042 must be filed by March 15
        i. All federal deposits must be made EFTPS and are due according to frequency of your deposits (see Instructions for Form 1042)
        ii. Must file Form 1042-S to both the vendor and the IRS by March 15.
        Use 1042-T to transmit original paper forms 1042-S
        iii. Form 1042 and 1042-S are required to be filed electronically if a district has an aggregate total of more than 10 forms 1099, W-2, and 1042-S forms. (New for 2023)
            A. See IRS Publication 1187 for information on electronic filing



U.S. vs. Foreign Vendor Comparisons

Reporting on U.S. Vendors	Reporting on Foreign Vendors
W-9/1099 Forms	W-8 Series/8233/1042-S Forms
Some corporate exemptions	NO corporate exemptions
$600 threshold applies on most reporting	No minimum dollar threshold for reporting
Goods/Supplies exempt from reporting	Goods/Supplies exempt from reporting
Credit Card purchases NOT reportable	Payments made on a Credit Card ARE reportable for services **performed in the U.S.** by a foreign vendor.
No reporting/withholding on Scholarships to U.S. Citizens	Reporting on Form 1042-S and 14% withholding on Scholarships
24% Backup withholding could apply	30% withholding applies unless tax treaty exemptions or a W-8 ECI vendor

STATE: When a non-US vendor is paid, additional and separate reporting requirements are necessary. *Foreign and non-resident vendors* providing services within the state may be subject to 7% state income tax withholding on payments of $1,500 or more:

4. Have the vendor complete Form 590 to determine California Residency. Payments (including payments of leases, rent, and royalties for property located in California) made to California nonresidents, including corporations, limited liability companies and partnerships that do not have a permanent place of business in this state, may be subject to 7% state income tax withholding.
    a. Non-resident withholding applies to all foreign vendors unless the total payments are not greater than $1,500 *or* the payment is made to a CA resident or Corporation that has a permanent place of business in California.
5. California nonresident withholding is *exempt* when:
    a. The individual, S corporation, or partner is a California resident
    b. The payee meets one of the exemptions on FTB Form 590*(Withholding Exemption Certificate)*
    c. The total payments or distributions of California sourced income to the nonresident are equal to or less than $1,500 for the calendar year
    d. The payment is for goods
    e. The services provided by the nonresident are not performed in California
    f. The nonresident payee or the withholding agent receives written authorization from the FTB to waive the withholding
    g. The payee is a bank or banking association
6. Have the vendor complete Form 587 to allocate the amount of Services that are performed within the State of California.
    a. Only payments sourced within CA are subject to withholding.
7. Withholding begins as soon as the district determines that the total payments for the calendar year will exceed $1,500 (see IT's recommendations for paying a foreign vendor through Escape).

8. Deposits are due based on a quarterly schedule

Period Payment Made	Due Date
January 1 through March 31	April 15
April 1 through May 31	June 15
June 1 through August 31	September 15
September 1 through December 31	January 15

   If the due date falls on a Saturday, Sunday or legal holiday, the due date will be the next business day.

9. Filing and Making Payments:
   a. State form 592 filed quarterly (do not need to file electronically when the number of payees on form 592 is less than 250)
      i. Send payment due along with Form 592-V and Form 592 to the
         Withholding Services and Compliance
         Franchise Tax Board
         PO Box 942867
         Sacramento, CA 94267-0651
      ii. Process AP check from Escape out of expense account
10. Before January 31 following the close of the calendar year, provide the vendor with Form 592-B Resident and Nonresident Withholding Tax Statement.

FORM 590 CALIFORNIA WITHHOLDING EXEMPTION CERTIFICATE

1. LEAs may choose to require a Form 590 for every vendor as their internal procedure
2. LEA should require a form 590 when:
   a. The vendor does not have a California street address and;
   b. They will be performing services for your district within the state of California and;
   c. They will receive payments totaling $1,500 or more in the calendar year

TIP: Use the below website as a tool to voluntarily check to see if a business is registered with the State of California to be exempt from the 7% withholding.

https://bizfileonline.sos.ca.gov/search/business

How to tell if the vendor is a California Non-Resident:

You can rely on a California street address as an indication of a vendor's residency status. If the vendor has a California street address, no withholding is required and Form 590 is not needed to verify residency status, unless the withholding agent has reason to believe such address is merely a forwarding address. A valid California street address does not include a California post office box, or an in-care-or address.

Corporations:

A corporation has a permanent place of business in California if it is organized and existing under the laws of this state or, if a foreign corporation, it has qualified through the Office of the Secretary of State to transact intrastate business (i.e., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in this state only if it maintains a permanent office in this state which is permanently staffed by its employees.

Payment to IRS for 30% Withholdings must use the Wire Transfer Process

Wire Transfer Procedures for LEAs

County Treasury requires Wire Transfer for payments that are $1,000,000 or greater. The minimum amount for Wire Transfers is $100,000 unless there is a justifiable critical business need that will be vetted by the Assistant Treasurer-Tax Collector. Each wire transfer incurs a $6.00 fee from the bank. The vendor also incurs a fee from their bank.

Step 1:

a. Use the County of Sonoma Vendor Listing to verify the vendor is established.
   i. Email jsarsfield@scoe.org, tpham@scoe.org, jliu@scoe.org and carend@scoe.org to request a current copy of the Vendor Listing.
   ii. Please check the "Status" column when checking the list. If there is an "I" that means inactive and the County needs to be contacted to "activate".

b. When the vendor has not been established, complete the County of Sonoma Supplier Request form and email the completed form to the county email address listed on the form.
   https://www.scoe.org/files/Supplier_Request_Form-current.pdf

Step 2:

c. Once you've determined the vendor has been established, you may continue onto Step 2.

d. Complete the Wire Transfer Request Form accessed through Escape's SCOE Resources. **Please use a street address for the Beneficiary Address rather than a PO box address.**

e. For International Wires, check the foreign currency exchange rate on the morning the wire is to be sent.
   i. If the international vendor has billed the district in US dollars, please indicate on the request form so we know no conversion is necessary.

f. Timetable Requirements
   - <=$250,000: 2 business days
   - $250,001-$1,000,000: 3 business days
   - $1,000,0001- $5,000,000: 1 week
   - >= $5,000,001: 10 calendar days

Step 3:

g. Use the Index Master to locate the Department Id for your district.
   i. Email jsarsfield@scoe.org, tpham@scoe.org, jliu@scoe.org and/or carend@scoe.org to request a current copy of the Index Master.

Step 4:

h. Email the completed Wire Transfer Request Form to SCOE's External Fiscal Services (carend@scoe.org, jsarsfield@scoe.org, jliu@scoe.org and tpham@scoe.org) along with the Fiscal07 and back up from the vendor including the bank information.

i. Once the wire has been processed, SCOE External Staff receives a Wire Confirmation Notification from County Treasury.
   i. SCOE will create a journal charging the district for the wire, using the expense budget code the district provided on the Wire Transfer Request Form, and will attach the Wire Confirmation Notification to the journal.
   ii. Use the following link for the Wire Request Form or can be found in Escape in SCOE Resources in Forms https://www.scoe.org/files/Wire_request_Revised_01_23_2023-fillable.pdf

SONOMA COUNTY OFFICE OF EDUCATION
REQUEST FORM FOR WIRE TRANSFER

Date: _____
To: Christy Arend, Director External Payroll and Finance
CC: Janelle Sarsfield and Thuan Pham
From: _____
Re: _____

This request authorizes the Sonoma County Treasurer to transfer from _____

School District from district fund _____ Dept Id # _____, in the amount of

$ _____. *Note: Please include the Crosswalk Fund and Department ID*

To be Credited to: _____ (Vendor name), Supplier ID: _____

ABA #: _____
Bank Name: _____
Account Name: _____
Beneficiary Address: _____
Acct: #: _____
IBAN: _____
(for cross-currency payments only; provided by the beneficiary)
Ref: _____
Attn: _____

Please process this transaction on the _____ day of _____, _____.

I, the undersigned hereby certify that I am the authorized signer on behalf of the LEA and that by signing this form I certify under penalty of perjury that the information above is true and correct. I acknowledge and authorize SCOE to complete the County of Sonoma Wire Transfer Form on the LEA's behalf using the information contained in this form. By signing below, I certify there are sufficient funds in this account and authorize the wire transfer from this account.

(Please include with this request form a Fiscal 07 Cash Transaction Detail verifying cash in hand for this fund)

Dated: _____ _____
Printed Name of Authorized Signer

_____
Signature Title

Account Code to Charge:

PLEASE SCAN AND EMAIL THIS REQUEST TO carend@scoe.org, jsarsfield@scoe.org, jliu@scoe.org and tpham@scoe.org PROCESS DATE ABOVE WILL BE THE DAY THE FUNDS ARE TRANSFERRED TO THE VENDOR.

Please note: The minimum amount for Wire Transfer is $100,000 unless there is a justifiable critical business need that will be vetted by the Assistant Treasurer - Tax Collector

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