

### NRA Royalties

Defining Activity for Payments	Key Rules, Impacts and Forms	Year-End Tax Statement Sent	Tax Filing References
<p><b>Royalties</b></p> <p>Non service payment. The portion of payments to individuals for negotiated agreements for Industrial Equipment, Industrial Know-How, Film &amp; TV, Copyright or Patent royalties.</p>	<p><b>Request for basic Information</b></p> <p>Staff will request that the payment recipient provide some basic information about the visit to the United States as well as an official name, address, tax classification and U.S. TIN on “Part I” <a href="#">IRS Form W-8BEN</a>, or a similar form. It is very important to provide this information for us to ensure we have the accurate information in our payment and reporting system.</p> <p><b>IMPORTANT FIRST Tax and Reporting Evaluation –</b></p> <p><b>IRS “Sourcing” Rules</b> – The IRS “Sourcing” rules for royalty payments is based on “where the royalty activity is exercised.”</p> <ul style="list-style-type: none"> <li>• If the activity is outside the United States, the royalty payments are IRS “<b>Foreign Source</b>” and <b>not</b> taxable or reportable.</li> <li>• If the activity is in the United States, the royalty payments are IRS “<b>US Source</b>” and <b>U.S. taxation and reporting</b> rules then must be applied.</li> </ul> <p><b>Income Tax Withholding:</b></p> <ul style="list-style-type: none"> <li>• IRS “<b>Foreign Source</b>” – The RF is <b>not</b> required to withholding taxes <b>OR</b> report the income on an IRS 1042-S at year end. That does not relieve the recipient of the burden in considering if the income is reportable in their home country.</li> <li>• IRS “<b>US Source</b>” –The RF is required by the general rule</li> </ul>	<p><b>1042-S</b> Foreign Person’s US Source Income Subject to Withholding.</p> <p><b>(IRS deadline – Postmarked or available by March 15)</b></p> <p>*** Includes any IRS “US Source” payments.</p>	<p><a href="#">Taxation of Nonresident Aliens</a></p> <p><a href="#">IRS Form 1040-NR US Nonresident Alien Income Tax Return</a></p> <p><a href="#">IRS 1040-NR Instructions</a></p> <p><a href="#">IRS Publication 519 US Tax Guide for Aliens</a></p> <p><a href="#">NYS Taxation and Finance</a></p> <p><a href="#">IRS Publication 17 – Your Federal Income Tax</a> (search on “nonresident”)</p> <p><a href="#">IRS You Tube Video Channel</a></p> <p><a href="#">IRS and Social Media</a></p>

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	<p>to withhold 30% tax from the payments <i>unless</i> the recipient is eligible and claims an income tax treaty exemption. If income tax treaty is claimed, many countries have varying reduced treaty withholding rates applicable to the payments. The rates are specific to the royalty type and the country’s treaty. Special rates such as 5, 8, 10 or 15% may be applicable -again dependent to the country and royalty in question.</p> <p>The royalty recipient may be eligible to claim an <b>income tax treaty</b> exemption, if the country has an income tax treaty with the United States, and an article within the treaty covers the royalty type and the royalty recipient complete the IRS W-8BEN Part I and Part II. <b>To be eligible the recipient must also have a TIN or show proof applying for a <a href="#">Taxpayer Identification Numbers (TIN)</a>.</b></p> <p>The following forms and publication links for assistance:</p> <p><a href="#">IRS Form W-8BEN</a> - Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding</p> <p><a href="#">IRS Publication 515</a> “Withholding of Tax on Nonresident Aliens and Foreign Entities” – Quick reference “Table 1...” In back of publication. Income Code</p> <ul style="list-style-type: none"> <li>• “10” - “Industrial Equipment ”</li> <li>• “10” - “Industrial Know-How”</li> <li>• “10” - “Patents”</li> <li>• “11” - “Film &amp; TV”</li> <li>• “12” - “Copyrights”</li> </ul> <p>Not all countries have an income tax treaty with the United States.</p>		<p><b>Need copy of your 1042-S form?</b> Visit the campus RF office your payments originated from to assist in your inquiry and acquire a “Request for Copy of Tax Statement” form.</p> <p><b>Have a question about your payments?</b> Contact the campus office that handled your RF activity. If you leave a voice message, ensure you clearly spell your last name and leave contact information.</p>