

Financial Services Manual (FIN)

FIN 425–05: Student Financial Support Payments to Nonresidents

Effective: 5/1/1996

Revised: 7/1/2022

Purpose

To describe the policy for making scholarship, fellowship, grant, and non compensatory stipend payments to nonresident students

Sources

U.S. Citizenship and Immigration (USCIS)

University policy

Applicability

All payments for scholarships, fellowships, grants, and stipends, for which no services are required, made to students identified as nonresidents for tax purposes.

Background

The Internal Revenue Service (IRS) requires that all fellowship, scholarship, grant, and stipend payments be made in accordance with IRS regulations. These regulations require that taxes be withheld from payments made to nonresident students enrolled in a degree-granting university to the extent such payments exceed the cost of tuition, fees, books, and other eligible allowances related to the student’s studies, unless:

1. The student is exempt due to a tax treaty between the nonresident student’s country and the U.S.

and

2. The student has submitted to the appropriate university office a completed IRS Form W-8BEN properly executed and signed by the student.

The IRS also requires that all payments made to nonresidents be reported annually on IRS Form 1042S, Foreign Person’s U.S. Source Income Subject to Withholding. A copy of the form is sent to the nonresident by January 31st of the year following payment.

Policy

All students are required to declare their country of citizenship and U.S. immigration status upon admission to ASU. This information is subsequently entered into the university registrar’s database. The information is used to determine whether IRS Form W-8BEN is required based on review by Financial Services at the time disbursements are made to or on behalf of the student. If required, a request will be made of the student to fill out and provide the required forms. Form W-8BEN is available on the Financial Services Forms page or from IRS.GOV.

Taxes will be withheld from student support payments to nonresident if the U.S. does not have a tax treaty with the nonresident’s country of residence that exempts scholarship, fellowship, grant, and stipend payments (not for services rendered) from the withholding of tax, or if IRS Form W-8BEN has not been correctly completed before payment is

processed. If subject to withholding, the amount paid to the student will be reduced by taxes totaling 14 percent of the net taxable balance (the total payment less the amount excludable for expenses related to the student's studies). If the award is disbursed through the student account system the required withholding may not be applied at the time of payment. In these situations, a charge will be placed on the student's account for the withholding. The student will be required to pay this charge. The withheld amount will be remitted to the IRS. A list of existing tax treaties between the U.S. and other countries is found in IRS publication 901, *U.S. Tax Treaties*.

Payments cannot be made to a nonresident unless they are in the U.S. on a visa type that allows them to receive scholarships, fellowships, grants, or stipends (not for independent services). See [FIN 425-02](#), "Immigration Status—Eligibility to Receive Payment," for guidance on allowable payments to various immigration categories. Any additional questions regarding immigration status should be referred to the International Students and Scholars Center. For more information concerning payments made to a nonresident, contact the tax unit area in Financial Services.

Additional Information

For additional guidelines on nonresident tax issues see the [ASU Foreign Visitor Tax Guide](#) issued by Financial Services.

Cross-References

For the general policy on student financial support, see [FIN 422-01](#), "Student Financial Support."