



# College of The Albemarle Policy

**Policy Number: 6.3.11**

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**Title: Foreign National Tax Compliance**

**Related Policy and Procedures: 6.3.11.1 Foreign National Compliance Procedures**

**Division of Responsibility: Business and Administrative Services**

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## I. DEFINITIONS

- A. A foreign national is a person who was born outside the jurisdiction of the United States, is a citizen of a foreign country, and has not become a naturalized United States citizen under United States law. This includes legal permanent residents.
- B. Foreign nationals are classified as either "Nonresident Aliens" or "Resident Aliens". Section 1441 of the Internal Revenue Code provides a separate tax system with a different set of tax rules and regulations for individuals deemed to be Nonresident Aliens. Colleges making payments to Nonresident Aliens are subject to different tax withholding, reporting and liability requirements.
  - 1. A Resident Alien's income is subject to tax in the same manner as a U.S. citizen. This means that their worldwide income is subject to U.S. tax and must be reported on their U.S. tax return. Income of Resident Aliens is subject to the graduated tax rates that apply to U.S. citizens.
  - 2. A Nonresident Alien's income is subject to federal income tax only on income which is derived from sources within the United States and/or income that is effectively connected with a U.S. trade or business. Nonresident Aliens are taxed according to special rules contained in certain parts of the Internal Revenue Code.

## II. POLICY

All North Carolina agencies, universities, community colleges and institutions have been tasked with the responsibility of withholding and reporting on payments to foreign national individuals and vendors in accordance with the IRS Code Regulations Section 1441 and policies established by the N.C. Office of the State Controller.

When the College identifies a foreign national or foreign vendor that will be compensated via payroll, accounts payable or student services, the appropriate department shall maintain a copy of evidentiary and supporting documentation such as I-9, W-8BEN, I-20, I-94, I-797, passport, and/or employment authorization card. The evidentiary and supporting documentation shall be entered into International Tax Navigator. The business office will use International Tax Navigator to determine that payments made by the College to a foreign national or foreign vendor are taxable, the College shall withhold federal and/or state taxes as indicated. The College shall issue **Form 1042-S** (Foreign Person's U.S. Source Income Subject to Withholding) for all reportable payments made to non-resident aliens by the annual IRS deadline.



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### III. ADMINISTRATIVE OVERSIGHT

The Chief Financial Officer (CFO) is responsible for the administration of the Foreign National Tax Compliance Program.

- A. Inter-Departmental Coordination: The Business Office shall collaborate with Human Resources, Financial Aid, and Student Services to ensure that all foreign nationals are identified upon entry to the College and processed through the compliance system before any payments are generated.
- B. Records Retention: All foreign national tax records shall be maintained in accordance with the NCCCS Records Retention and Disposition Schedule.

Legal Reference: IRS Code § 1441; N.C.G.S. § 115D-5; 26 CFR § 1.1441-1. Office of State Controller's Policy and Procedures Regarding Foreign Nationals; [NC Community College Foreign National Compliance Program](#); N.C. Community College Written Memoranda [CC12-10](#) (issued 4/17/12); N.C. Community College Accounting Procedures Manual and Reference Guide: Fiscal Procedures

June 13, 2023

June 9, 2026

June 9, 2026

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**Date Approved by Board of Trustees**

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**Date of Last Review**

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**Date of Last Revision**