

Foreign Vendor Training Agenda

- Welcome/Brief Overview
- What is a Foreign Vendor and Why Are They Treated Differently?
- W8's – Why so Many?
- Entry in to Rstars
- Requesting Activation
 - Form
 - Land/Sea/Air
- Brief Discussion about 1042S Information Returns
- Misc Information
 - ACH for Foreign Vendors
 - Timelines
- Questions/Wrap-Up

What is a Foreign Vendor

- Individual/Business/Government outside the US
- There are Foreign Vendors who have a presence inside the US
 - Foreign Students here on specific visas
 - Businesses who maintain US Offices
 - Vendors may have a US Address, but they are still considered a foreign vendor.

What determines Who is a Foreign Vendor?

If a business - where are the corporate headquarters?

If an individual – Where is their primary country of residence?

If an individual is in the US on a Student Visa - where will they return?

Who is Not Considered Foreign Vendors

Individual/Business/Government that are US Territories and not considered Foreign Vendors

- US Virgin Islands
- Puerto Rico
- US Samoa
- Guam
- US Companies who have subsidiaries outside of the US (example NIKE)

US Vendor IRS Documentation

IRS Documentation requirements are different for US Vendors.

- W9s are requested for certain entities and are automatically requested out of R*STARS.
- SFMS uses e-verify on every domestic vendor to generate a match for name/US issued SSN/FEI as well as Individual/Business.
- SFMS can use IRS Website to verify not-for-profit entity.
- Domestic Vendors are issued 1099MISC or 1099NEC if the 52 Screen 1099 IND=Y COBJ (D10) is reportable and \$>600.00.

General Assumptions RE: US Vendors

For Domestic Vendors, income is assumed to be generated from inside the US.

Different Compliance

Foreign Vendor Documentation

- W8 can expire and W9 once verified is assumed to be good for the life of the entity or individual.
- IRS has only one W9 form, but allows modifications as long as all of the required elements are present on the modified form.
- IRS has multiple W8 forms depending on business type for the Foreign Vendor and does not allow businesses to modify these forms.
- B/W for Foreign Vendors = 30%
- B/W for Domestic Vendors = 24%
- Eligible Foreign Vendors receive a 1042S.

W8's – Why so Many?

There are 5 different forms for Foreign Vendors! All are directed at different types of entities.

- W8-BEN : For Individuals Only
- W8-BENE: Businesses & Non-Profit
- W8-ECI: Businesses with a presence in the US
- W8-IMY: Foreign Intermediary/Foreign Flow-Through
- W8-EXP: Foreign Government/Universities

Adding Foreign Vendors to R*STARS

Process to adding a Foreign Vendor to R*STARS is not much different than adding a Domestic Vendor.

- Log into R*STARS.
- Because foreign vendor numbers are not specific to the vendor always do an alpha search on R*STARS 3A screen before adding the vendor
- Search by last name comma, first name for individual or at least the 1st three letters of the business name
- Make sure vendor is not already on the system, R*STARS allows duplicate vendor names but not duplicate vendor #'s
- Make sure vendor is not under a different vendor number. You can check the 3N to see if its under a different name.

Adding Foreign Vendors to R*STARS

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- Check for duplicate addresses
- If vendor is not already found on 3A screen enter the new vendor
- Add all new vendors on the 52 profile. Mail Code 000 on the 51 profile will be automatically added by the system.
- When entering addresses try to abbreviate. Example: Street "St", Road "RD", Highway "HWY"

Adding Foreign Vendors to R*STARS

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- Foreign vendor numbers are assigned by the agency, generally they are not a Federal Employer Identification number or a Social Security Number. The FEI/SSN field in the R*STARS 52 screen record will contain an "O" indicating Other.
 - Exception – if the vendor has a US issued business number, generally starting with "98", but this is not a hard and fast rule, please use this number with the "2" proceeding it.
 - Agency may choose to use the Foreign Govt issued ID. This is acceptable as well as long as the vendor number starts with "2".
- On the 52 screen type the vendor number beginning with "2."
 - 2(9-digit US Issued ID)
 - 2(9-digit Provided Foreign TIN or Foreign Govt Issued ID)
 - 2(Agency Number and 6 Numerical digits) normally a sequence 00001, 000002 etc.
- Type the vendor's name.

Adding Foreign Vendors to R*STARS

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- Vendor Type is "5", 1099 IND is "Y", FEI/SSN is "O", Reason Code is "ADD", Ownership Code is "R."
- On the 52 screen enter the city, province, and postal or zip code below the address.
- Enter the country in the "City" field.
- Enter "XX" in the "ST" field.
- Enter "Xs" into the first part of the "Zip Code" field.
- Type the country name into the "Country" field. Because this field will not print on the warrants the country name is also typed in the "City" field.

52 Screen Foreign Vendor Creation

S052 UC: 17 STATE OF OREGON
LINK TO: SYSTEMWIDE VENDOR PROFILE
VENDOR NO: **2241645779** NAME CONTROL: **ESSA**
VENDOR NAME: **ESSA TECHNOLOGIES LIMITED**
SEARCH NAMES: ESSA TECHNOLOGIES LIMITED **ESSA BCV6J5C6**

ALT VENDOR/FID: 1099 IND: Y FEI/SSN IND: F REASON CODE: **ADD**
VENDOR TYPE: **5** OWNRSHP CD: **R** TIN MATCH: TIN: 241645779
ADDRESS: **600-2695 GRANVILLE ST**
VANCOUVER BC V6H 3H4

CITY: **CANADA** ST: **XX** ZIP: **XXXXX XXXX** CNTRY: **CANADA**
VENDOR CONTACT: TAX OFFSET EXMPT: N
TELEPHONE: **604 733 2996** EXT: FAX: **604 733 4657** HOLD RSN:
PDT: MA EMAIL: PNI:
AGY: **629** CONTACT: **LYNN ROTHWELL** PHONE: **503 945 7070**

DIR DEP DATE:
ABA NUMBER: ACCT NO/TYPE: FORMAT:
W9 REQUEST DATE: BU/WH EFF DATE: STATUS CODE: **R**
EFF START DATE: 04012022 EFF END DATE: LAST PROC DATE: 04012022

SFMS Duties for Foreign Vendor Setup

- SFMS must have a copy of an appropriate W-8 form before activation.
- SFMS will review all W-8 forms for completeness and make a determination if it is appropriate for the vendor.
- If the W-8 form is returned with a valid U.S. tax identification number, the vendor number will be updated with the valid FEIN. No effective end date will be added. Vendor contact will indicate valid FEIN W-8 w/EIN XX/XX/XX.
- If the vendor does not have a valid U.S. tax identification number an end-date will be added to the vendor 52 profile of Dec 31 three years from the current year. Vendor contact will indicate that there is no FEIN W-8 w/o EIN XX/XX/XX.

52 Screen Foreign Vendor Finalized

S052 UC: 02

STATE OF OREGON

LINK TO: SYSTEMWIDE VENDOR PROFILE

VENDOR NO: **2241645779** NAME CONTROL: **ESSA**

VENDOR NAME: **ESSA TECHNOLOGIES LIMITED**

SEARCH NAMES: ESSA TECHNOLOGIES LIMITED

ESSA V6H3H4

ALT VENDOR/FID: 1099 IND: Y FEI/SSN IND: F REASON CODE: **ADD**

VENDOR TYPE: **5** OWNRSHP CD: **R** TIN MATCH: TIN: 241645779

ADDRESS: **600-2695 GRANVILLE ST
VANCOUVER BC V6H 3H4**

CITY: **CANADA**

ST: **XX** ZIP: **XXXXX XXXX**

CNTRY: **CANADA**

VENDOR CONTACT: W8ECI W/EIN RCVD 40122/FTIN 241645779 TAX OFFSET EXMPT: N

TELEPHONE: **604 733 2996**

EXT:

FAX: **604 733 4657** HOLD RSN:

PDT: MA EMAIL:

PNI:

AGY: **629** CONTACT: **LYNN ROTHWELL**

PHONE: **503 945 7070**

DIR DEP DATE:

ABA NUMBER:

ACCT NO/TYPE:

FORMAT:

W9 REQUEST DATE:

BU/WH EFF DATE:

STATUS CODE: I

EFF START DATE: 04012022 **EFF END DATE:**

LAST PROC DATE: 04012022

Foreign Vendor Status/Eff End Dates in R*STARS

All Foreign Vendor profiles remain in inactive status until the Agency requests activation.

Due to various tax treaties, withholding and reporting requirements, each subsequent payment to the vendor will be required to be evaluated before the vendor is activated for payment.

Vendors with W8's with valid/verified US Issued ID (EIN) if used once a year will not expire. An effective end date on the 52 profile will not be present.

Vendors must be paid annually to maintain this status.

Foreign Vendor Status/Eff End Dates in R*STARS Slide 2 of 2

If a Vendor with a valid/verified EIN skips a payment year:

- The W8 can be deemed to have expired if it was received >3 years in the past.
- Another appropriate W8 will need to be received for the vendor, before they are activated.
- If <3 years, an effective end date will be added to the 52 profile.

W8s without a valid/verified EIN are only in effect for 3 years past the year received and will have an effective end date on their profile.

Once this date is reached the vendor must submit a new appropriate W8.

Requesting Activation

Question: Why does SFMS need to know:

Who

What

Where

Why

Requesting Activation

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Because just like 1099-MISC Forms & 1099-NEC, SFMS is responsible for completing the information returns for Foreign Vendors (1042S).

Only foreign vendors that have physically crossed US borders (Land/Sea/Air) are eligible for being reported.

We Have a Form For That!

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

SFMS Foreign Vendor Request Form

Email to: Karlene.Hancock@das.oregon.gov Phone: 971-900-9769

Date Requested

Agency Info:

Agency Number Agency Contact Agency Contact Phone

Vendor Info:

Vendor Number Mail Code Vendor Name

Vendor Contact Name Vendor Phone

Vendor Email (If New Email Required) Vendor Fax

Action:

New Change Activate

Required Information if activation request:

Supplies or Services

What were the supplies and/or services?

Location services performed? (US / Foreign Country)

Requesting Activation

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All Services performed in the US are reportable to the IRS – Always.

Supplies are not reportable to the IRS.

Is the vendor delivering the supplies personally, not using professional third party delivery service?

Once the vendor has crossed the border - all mileage from the border is now subject to reporting. This was a change by the IRS starting in 2017.

1042S Information Returns

1042S Information Returns due to the
eligible vendors and the IRS by
March 15

1042S Information Returns

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SFMS Process for Filing:

- All Activation Request Forms are reviewed on a quarterly basis.
- The forms where the agency indicated that the vendor came to the US to Deliver Goods or Perform a Service are separated from the vendors that performed services globally.
- Payments to the vendors are then researched, confirmed and collated for end of year IRS reporting.

1042S Information Returns

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SFMS Process for Filing (cont):

- The information goes through a final review by my manager.
- 1042S Information Returns completed manually as well as the 1042 cover sheet for the IRS.
- Again, a final review is completed by my manager on the 1042-S/1042 Cover Forms before submission to the vendor & IRS.
- The 1042S mailed to the eligible vendors for receipt by 3/15.
- The 1042S Forms and 1042 Cover Forms sent to the IRS.

1042S Information Returns

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SFMS Process for Filing (cont):

- SFMS retains 1042S Forms and 1042 Cover Form submitted to the IRS and eligible vendors, as well as ALL backup documentation including non-eligible vendor activation requests.

Misc Information

ACH is not available for Foreign Vendors.

- SFMS has reserved the right of refusal, and it was determined that Foreign Vendors are not eligible for ACH Payments.
- If it is discovered on the backend that a “domestic vendor” is in fact a foreign vendor, if they currently have ACH, this will be removed. They will receive a warrant instead of direct deposit.

Foreign Vendors Payment Timelines

- Foreign Vendors are always inactive until activation request is received.
- Active only for 24-48 hours, unless otherwise noted on the request. This timeline may increase due to OregonBuys System.
- Please once you have been notified that the vendor is active & ready for use. Do not delay payment processing. If the vendor is inactivated while the transaction is on the 530 Screen, this will cause a “W” batch to occur.

Wrap-up Information

- SFMS Main Contact for Foreign Vendors: Karlene Hancock
 - Ph Number 971-900-9769
 - Email : Karlene.hancock@das.Oregon.gov
- Foreign vendor numbers always begin with a “2” followed by any user defined alpha or numeric. The standard is the agency number and then increment the remaining digits. i.e. 212300001, 212300002 etc...However if they have provided a US Issued Tax Number, please use this number (generally starts with a 98).