
Listserv Summary: Foreign Account Tax Compliance Act

January 2015

An inquiry was made requesting information about the ways that institutions are handling the new Foreign Account Tax Compliance Act, which prohibits payments to anyone on a federal government sanctions list.

Summary of responses:

Only one responding institution was not yet aware of this requirement; most respondents were either in the process of adjusting existing procedures or implementing new ones to be compliant with the new lengthier form.

At most responding universities, payments are not made if the appropriate W-8 is not in place, avoiding the 30% withdrawal issue.

Those with the most success with W-8 forms receive strong support from their accounting offices, and are able to provide simplified instructions for faculty members and vendors.

The fact that updated W-8s are required every three years (rather than every year) helps reduce the burden on the IE office.

In addition to the inquiry on this listserv, an associate also posted the same topic to SECUSS-L. Below is a more detailed summary of those responses, with some information overlapping those from AIEA members:

1. *Is your institution public or private?*
 - Responses came from 4 private and 5 public universities.
 - Feedback was split, with half of the responses indicating a negative experience implementing the collection of W-8 forms (with language like "incredibly difficult," "cumbersome," "confusing and laborious," and "a headache") and half indicating that it has been manageable and not something that has delayed payments to vendors, once a process has been developed.
 - The breakdown for positive vs. negative feedback was as follows: 50/50 for private college and universities and 60/40 for public.
2. *How are your institutions dealing with this relatively new federal regulation?*
 - *Are you requiring the W-8 forms to be collected for each vendor?*
 - All respondents reported their school is using the W-8 form, some for 3-5 years already.

- *Are you being allowed to complete them on behalf of your vendor, or requiring each payee to complete it?*
 - No university allows the IE office to complete the form; it must be completed by the vendor.
- *Is your study abroad office responsible for collecting these forms from vendors? Or another office?*
 - *In all cases the IE office or office requesting payment was the office required to collect the W-8 form. None reported their university accounting office being responsible for collecting the form.*
- *Any other pertinent information you are willing to share.*
 - Those with positive experiences had a great deal of support from their university accounting office.
 - some Accounting offices highlighted fields that needed to be completed and/or provided written instructions for the vendors
 - another IE office was able to refer all questions about the form and process to their Accounting office
 - the collection of this form and information was a proactive way to identify potential issues with a vendor abroad before they became a problem for payment
 - 2 (private) universities reported that the small-scale vendors are not equipped to fulfilling this requirement and have had a few vendors refuse to work with them due to the requirement; 1 (public) university reported they've found using third-party providers easier, while others reported that most of the established foreign vendors were already accustomed to this requirement and could accommodate the request for the form fairly easily (or with minimal guidance)

3. *Tips and advice shared:*

- success seems to have been found by those universities providing vendors with instructions written by the Accounting or IE office *in laymen terminology*
- the W-8BEN-e form is required as of January 1, 2015 for foreign vendors
- it may be helpful to request the form from the vendor at the time of signing a contract; other universities collect the form from the vendor when they send the first invoice
- One university (private) allowed an initial deposit payment to be made with only a fax or pdf of the form on file (subsequent payments were held until the original form was received)
- One university (public) accepts photocopies of the W-8 form if the vendor had previously completed it for another US university