



Royalty and Taxation Issues

U.S. Citizen, Immigrant, or Permanent Resident

- Must complete IRS W-9 to receive any payment
- Immigrant must provide green card to receive U.S. citizen status for payments
- Royalty recipients complete Form 26-R, which includes more information than W-9

Foreign Individuals/Companies

- As of 1999, all foreign royalty recipients must have:
 - ❖ International Tax Identification Number (ITIN)
 - or
 - ❖ Employer Tax Identification Number (EIN)
- Otherwise IRS withholds 30% from payment, regardless of tax treaties

Individuals and ITIN

- Apply for International Tax Identification Number:
 - ❖ IRS office by mail
 - ❖ U.S. Consular office in country
 - ❖ An Acceptance Agency
 - Financial Institution
 - Educational Organization
 - Federal Agency

Individuals and ITIN

- Information to submit
 - ❖ Forms W-7 and W-8BEN
 - ❖ Certified copy of one of the following
 - Passport
 - Driver's License
 - Birth Certificate
 - and
 - Identity Card or
 - U.S. Immigration Documents

Stiffening IRS Rules

- **W-7 must be completed correctly**
 - ❖ **Box H**
 - ❖ **Exception 2**
 - ❖ **Applicable tax treaty and its number**
- **W-8BEN necessary as well**

Companies/Estates and EIN

- Submit Form SS-4 to obtain EIN
- Turn-around five weeks
- After receiving EIN, submit W-8BEN to publisher so tax treaty benefits apply
- Without W-8BEN, publisher must withhold 30% and send funds to IRS
- With W-8BEN, publisher follows tax treaty guidelines

Foreign Translations

- **Most complicated subsidiary rights agreements to track:**
 - ❖ Language barriers
 - ❖ Tax documents
 - ❖ Licensees often ignore terms of license
 - ❖ Royalty payments often late or not made

Foreign Tax Documentation

- Increasing burden for U.S. publishers
 - ❖ Until recently just France, Spain, Italy
 - ❖ Now over 50 countries
- If tax documentation is not on file, countries charge 33% tax on royalty
- Chicago requested 2,790 tax documents from IRS

IRS Processes Changing

- Used to be able to fax IRS a letter and document requesting certification letter (Form 6166)
- Now must submit IRS Forms 8802 and 8821 for each royalty situation
- Takes 2 to 3 months to receive Form 6166

Obtaining Foreign Royalties

- After April 1st, we contact foreign licensees about missing royalty payments