



Tax Documents

Issues Facing University
Presses

Documentation Required

- Payment reportable to IRS for taxation?
- Payee status:
 - Independent contractor
 - University employee

Types of Reportable Income

- Advance royalty and royalty payments
- Readers' fees – honoraria
- Series editors' fees
- Contributors' fees
- Translation fees
- Fees for copyediting, proofreading, indexing
- Manuscript/art preparation fees

Other Reportable Income

- **Permission fees to U.S. sources**
- **Consulting fees**
- **Rent payments**
- **Catering fees**

Fees Not Reported to IRS

- **Permission fees to foreign sources**
- **Purchase of goods**
 - **Stock of books in co-publication arrangement**
 - **Office supplies**

U.S. Citizen, Immigrant, or Permanent Resident

- Must complete IRS W9 before receiving any payment.
- Immigrant must provide green card to receive U.S. citizen status for payments.
- Royalty recipients complete Form 26R, which has more information than W9.

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 W7 and W8BEN**
 - **Certified copy of one of the following**
 - **Passport**
 - **Driver's License**
 - **Birth Certificate**
 - and
 - **Identity Card or**
 - **U.S. Immigration Documents**

Stiffening IRS Rules

- **W7 must be completed correctly**
 - **Box H**
 - **Exception 2**
 - **Applicable tax treaty and its number**
- **W8EN necessary as well**

Companies/Estates and EIN

- Submit Form SS4 to obtain EIN.
- Turn-around typically five weeks.
- After receiving EIN submit W8BEN to publisher so tax treaty benefits apply.
- Without W8BEN, publisher must withhold 30% tax and send funds to IRS.
- With W8BEN, publisher follows tax treaty guidelines.

Foreign Tax Documentation

- Increasing burden for U.S. publishers.
 - Up from just France, Spain, Italy.
 - Now over 50 countries.
- Without tax documentation on file 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 2-3 months to receive Form 6166.

Chicago Process

- Submit forms to IRS at end of year.
- Prepare tax documents for each country for each book from rights database early in year.
- Process mailing labels, produce certified form for USPS, prepare wire transfer report.
- Prepare letter and send packet to each foreign publishers by early March for spring royalty payment.

Seeking Foreign Royalties

- Once April 1st passes, we seek missing royalty payments.