



A-1 BUSINESS SERVICES

P.O. Box 115
TALLMADGE, OHIO 44278-0115

Donald W. Meade Sr.

OFFICE:
193 East Ave. Suite 101
Tallmadge, Ohio 44278-2341

330-630-3426
330-283-5775 (Cell #)
meadesr@yahoo.com

Urgent-Immediate Requirements & Procedures for Foreign Individuals, Missionaries & Foreign Entities

This could be the most important information to-date to share with you and your board of directors. If you do not want to be in jeopardy of losing your 501[c][3] status and having a large tax liability at year end....**PLEASE READ AND NOTE THE FOLLOWING.**

Procedures on setting up Foreign Individuals & Missionaries:

- The church or non-profit should request the foreign individuals fill out a W8BEN, and explain that if the foreign individual does not have a taxpayer identification number, that the church will have to withhold 30% of their offering or compensation as backup withholding. If the church or non-profit does not withhold the 30% from the individual, the church or non-profit will have to pay this amount at the end of the year, whether they have withheld it or not.
- If their country has a treaty with the United States, and the individual does have a taxpayer identification number, then the church or non-profit does not have to withhold income tax.
- If the foreign individual does not have a taxpayer identification number, regardless of a treaty, then the church or non-profit must withhold 30% income tax out of their gross compensation, stipend, honorarium, or any monies paid to them.
- If the foreign individual is interested in receiving their taxpayer identification number they must fill out a W-7. The filing and processing of the W-7 will allow the individual to obtain a taxpayer identification number. Once they receive the identification number from the U.S. government, they can then file a form 1040NR and get a refund of the tax that was withheld.

PHONE: 330-630-3426

FAX: 330-630-3428

- Once the church or non-profit has withheld the 30% backup withholding tax, they must immediately deposit the funds with Internal Revenue Service using the Electronic Taxpayer Service. The deposit is listed as a 1042 tax deposit.
- The church or non-profit would then keep a copy of the foreign individual's W8BEN on file and indicate on the check stub or memo the amount of the withholding from the foreign individual's check.
- Since the church or non-profit has followed the procedures listed above, the filing of the above mentioned forms 1042 would already have the tax paid, and the church or non-profit would not owe on these forms at the end of the year. However, if the church or non-profit does not withhold the 30% backup withholding at the time of payment to the individual, the church or non-profit will be responsible for paying the tax at year end.

Procedures on setting up Foreign Entities:

- The church or non-profit should request the foreign entity fill out a W8EXP, and explain that if the foreign entity does not have a employer identification number and PROOF that the foreign entity is exempt under section 501 (c) (3), then the church or non-profit would have to withhold 30% of donation as backup withholding. If the church or non-profit does not withhold the 30% from the donation, the church of non-profit will have to pay this amount at the end of the year, whether they have withheld it or not.
- This is a simple process that will save the church or non-profit from having to pay the 30% withholding tax at the end of the year, but will also avoid the penalties and interest that is charged for not correctly reporting and depositing the tax as indicated by the Internal Revenue Service.
- This will keep the church or non-profit in compliance, which is essential to help avoid an AUDIT by the Internal Revenue Service.

Yours in His Service,

Donald W. Meade Sr.