RESEARCH FOUNDATION
of The City University of New York
230 West 41st Street
New York, NY 10036-7207

IDENTIFYING A FOREIGN VENDOR / CORPORATION

A foreign corporation is an existing corporation registered to business in a jurisdiction (such as a foreign country) other than the one where it was originally incorporated. In order to do business in the U.S., a foreign corporation must be registered at the federal level of a country or at the sub-federal (state or province) level of a country. The use of foreign corporation registration allows a corporation to operate in multiple jurisdictions as the same organization in all of them.
Payments to a foreign corporation:

- Does U.S. law consider this income to be foreign-sourced?
- Does U.S. law consider this income to be effectively connected with a U.S. trade or business?
- Is the foreign corporation a personal holding company under U.S. law?
- Is there any tax treaty provision that applies to this payment

Payments to Foreign Individuals
The IRS uses the substantial presence test (SPT) to determine U.S. tax residency. A foreign national who satisfies the substantial presence test is treated as a resident alien. The test is conducted after adding visa and immigration status records for an individual, and after making any changes to an individual's immigration status, days away from the U.S., or other corrections to existing information.

SPT is an IRS formula used to determine whether a person has been in the U.S. long enough to be considered a resident alien. The formula is a total of 183 days to be considered a U.S. resident for tax purposes only:

- Must be in United States for 31 days during the current year
- 183 days during the three-year period that includes the current year and the two years immediately before that, counting
    - All the days you were present in the current year, and
    - 1/3 of the days you were present in the 1st year before the current year, and
    - 1/6 of the days you were present in the 2nd year before the current year