

Dear Supplier:

The Foreign Account Tax Compliance Act (FATCA) was recently enacted by the United States (US) to target non-compliance of US taxpayers using offshore accounts. It requires withholding agents, such as the University of Michigan (U-M), to gather information on new and preexisting foreign vendors. The goal is to help ensure that taxpayers pay the appropriate amount of tax on offshore investments. Please note that FATCA, also known as Chapter 4, is much broader in scope than the previous filing requirements asked of foreign vendors under Chapter 3.

To comply with these rules U-M is required by law to obtain certain Internal Revenue Service (IRS) tax forms from you. We are requesting all foreign vendors to provide U-M with the latest version of the Form W-8 series. Please note the quicker we receive the forms the sooner your payment can be processed. On these new forms, we ask that you provide us with certain information regarding your status. Please note that you are obliged to determine whether or not you are a foreign supplier and, if foreign, must complete the applicable Form W-8 (there are (5) forms to choose from).

#### CHAPTER 3

These (4) forms continue to be applicable under Chapter 3, aka, the old rules.

- Form W-8BEN: foreign (non-US) individuals
- Form W-8IMY: foreign (non-US) flow-thru entities (e.g. partnerships) or agents acting as an intermediary
- Form W-8ECI: foreign (non-US) entities or individuals who are beneficial owners of US sourced income that is effectively connected with the conduct of a trade or business within the US
- Form W-8EXP: foreign (non-US) foreign governments or foreign organizations claiming applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b)

Chapter 3 payments deal with US sourced income. If you complete one of these forms, you, most likely, will not need to complete Form W-8BEN-E. **Please note that only foreign individuals may use Form W-8BEN going forward. In which case, foreign entities that are not individuals, e.g., corporations, must complete the Form W-8BEN-E when it had used the Form W-8BEN in the past.**

#### CHAPTER 4

**A new form, W-8BEN-E is only for foreign entities and will be the default form if none of the forms apply above. Due to the complexity of Form W-8BEN-E, following are some guidelines to assist in its completion:**

Part I – complete sections 1-9b, and sign in Part XXX.

Part III – If applicable, i.e. a supplier that is not an individual that previously filed Form W-8BEN.

With respect to Part I, Section 5 (a most complicated line), we have listed below the Chapter 4 status that would most likely apply to you as a foreign supplier (you will find these on the second of the two columns):

- Second box – Foreign government, government of a US possession, or foreign central bank of issue
- Third box – International organization
- Tenth box- 501(c) organization
- Eleventh box – Nonprofit organization
- Twelfth box – Public traded NFFE or NFFE affiliate of a publicly traded corporation
- **Fourteenth box (6 from the bottom)– Active NFFE (Corporation or Partnership)**

Please check the appropriate box and follow the directions for the box certifying your entity's applicable Chapter 4 status.

Based on our understanding of U-M's supplier base, we anticipate most of our non-US vendors will complete Form W-8BEN-E (in bold above) and will be considered an "Active NFFE" 14<sup>th</sup> box, 6 from the bottom).

If you received this form, but are not a foreign supplier please complete Form W-9, which is the form required for all US persons, including individuals who are US citizens, US resident aliens, and partnerships, corporations, companies, associations, estates, and trusts created or organized in the US.

Please consult with your tax advisor, as the information above does not constitute tax advice.