Welcome to Tax Orientation for International Students & Scholars for the 2015 Filing Season

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Overview of the U.S. Income Tax System

• Your employer withholds from your earnings an *estimate* of what your federal income tax and state income tax liability will be.

• At the end of the year, you are required to complete a federal and state tax return to compute your *actual* liability and mail it to the IRS and state government (file your return).
U.S. Tax Rules Pertaining to Aliens

• An “alien” is anyone who is not a citizen of the U.S., either by birth or naturalization
• A “resident alien” is taxed the same as U.S. citizens
  • might also enjoy treaty benefits
  • Subject to tax on worldwide income
• A “nonresident alien” is subject to special rules
  • Limited deductions and credits
  • Taxed only on U.S. source income
Who Is a Nonresident Alien?

- A “nonresident alien” is anyone who
  - Has not been granted permanent resident status by the CIS (the “green card” test), and
  - Has not passed the “substantial presence test”
- Resident alien for tax purposes does not mean resident for immigration purposes
The Substantial Presence Test

- Generally, if an alien is physically present in the U.S. for 183 days or more during the year, the substantial presence test is met. (Use Glacier for all the rules.)
- Exception for “exempt individuals”
  - An exempt individual does not count days present in the U.S. for the purpose of the substantial presence test, and is therefore considered a nonresident alien
  - An exempt individual is not exempt from paying U.S. tax
Exempt Individuals

- Exempt individual defined:
  - A teacher or trainee on a J-1 or Q-1 non-student visa for the first 2 calendar years in the U.S.
  - A student on an F-1, J-1, M-1 or Q-1 visa for the first 5 calendar years in the U.S.
  - Family members on F-2, J-2, M-2 or Q-2 visas fall under the same rules
  - An exempt individual is considered a nonresident alien during years of exemption
Who Is a Resident Alien?

- A student (F or J visa) present in the U.S. longer than 5 calendar yrs who passes the substantial presence test
- A teacher or researcher (J visa) present in the U.S. longer than 2 calendar yrs who passes the substantial presence test
- A nonresident or dual-status alien who is married to a resident at yr end & elects to be treated as a resident for the whole yr
Special Tax Rules for Nonresident Aliens

- Either Form 1040NR or Form 1040NR-EZ
  - Must be filed by NR aliens on F, J, M & Q visas who have income subject to tax
  - Due April 18th if taxpayer had taxable wages
- Any “exempt individual” must file Form 8843 even if they have no income
- Sent to special address: Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301-0215 (P.O. Box 1303 Charlotte, NC 28201-1303 if tax is due)
Resident vs Nonresident Examples

• Sam, an F-1 (student) visa-holder arrived in the U.S. on June 1, 2012. Is he a resident or nonresident in 2015?
  • Answer: Nonresident

• Sam’s wife came with him on an F-2 visa. She is not a student. Is she a resident or non-resident in 2015?
  • Answer: Nonresident (same as primary visa holder)
Resident vs Nonresident Examples

• Juanita, a J-1 (teacher) visa-holder arrived in the U.S. on December 30, 2012. Is she a resident or nonresident in 2015?
  • Answer: Resident

• Joan, in the U.S. on an F-1 (student) visa, is married to Bob who received a green card in 2015. If they elect to file a joint return, is Joan a resident, nonresident, or part-year resident?
  • Answer: Resident
Dual-Status Aliens

• Part yr nonresident & part yr resident
• Must follow special filing requirements
• Most commonly occurs when the taxpayer
  • enters the U.S. during the year and passes the substantial presence test
  • is an exempt individual and receives permanent resident status during the year
  • leaves the U.S. after passing the substantial presence test
• These taxpayers should see a professional
Social Security and Form 843

• Nonresident aliens on F-1 and J-1 visas do not pay social security tax
• Resident aliens do pay social security tax
• How to get a refund
  • If you are not supposed to pay, ask your employer for a refund
  • If the employer refuses, file Form 843 & 8316 with the IRS
  • Forms and instructions can be found at http://www.irs.gov/formspubs/index.html
Items Needed to Prepare Your Tax Return

• An ID number for the taxpayer, spouse & any dependents claimed on the return
  • Social Security number
  • Individual Taxpayer Identification Number (ITIN)
• Your passport & visa numbers
• Income statements
  • Forms W-2 for wages
  • Forms 1099 for interest & dividends
  • Form 1042-S for scholarships & treaty income
• Certificate of Rent Paid from your landlord
• Last year’s return if you filed one
Other Help on the Web

  - Download Pub. 901
- [www.form1040NR.com](http://www.form1040NR.com)
  - Includes “Foreign National Tax Guide”
  - Q&A
  - Offers tax return preparation services for international visitors for a fee
Help Sessions – See Classroom Schedule

• Tuesdays 5:30 – 8:30, 2/16-4/12 (Closed Spring Break)
• Saturdays 1:00 – 4:00, 3/5 & 4/2
• See classroom schedule