Tax Orientation for International Students & Scholars for the 2019 Filing Season

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Agenda

› Federal tax overview
› Software demonstration (federal)
› Minnesota state tax
› Minnesota state tax example
› Q&A
Overview of the U.S. Income Tax System

› It is every person’s individual responsibility to calculate and pay their own taxes
  – 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.
  – Filing your taxes (mailing in your return) is how you tell the IRS and the state what you have calculated
  – You may need to do this even if you owe no taxes

› Each taxpayer is ultimately responsible for the information on their tax returns
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
    › If a person is in the U.S. “long enough”, they pay taxes like a citizen or permanent resident
    › This test is what determines “long enough”

› Resident alien for tax purposes does not mean resident for immigration purposes
The Substantial Presence Test

› To meet this test, you must be physically present in the United States on at least:
  - 31 days during 2019, and
  - 183 days during the 3-year period that includes 2019, 2018, and 2017, counting:
    › All the days you were present in 2019, and
    › 1/3 of the days you were present in 2018, and
    › 1/6 of the days you were present in 2017.
  - Software will calculate this for you!

› 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 student on an F-1, J-1, M-1 or Q-1 visa for the first 5 calendar years in the U.S.
  – A teacher or trainee on a J-1 or Q-1 non-student visa who was not previously exempt as a teacher, trainee, or student for any part of 2 of the preceding 6 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

› Resident aliens can get tax help at: https://www.vtap.org/
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 15 if taxpayer had taxable wages

› Any “exempt individual” must file Form 8843 even if they have no income
  – Do not need SSN or ITIN if you only need to file this form

› Sent to special address:
  Refund:
    Department of the Treasury, Internal Revenue Service Center,
    Austin, TX 73301-0215
  Tax Due:
    Department of the Treasury, Internal Revenue Service Center,
    P.O. Box 1303 Charlotte, NC 28201-1303
Resident vs Nonresident Examples

› Sam, an F-1 (student) visa-holder arrived in the U.S. on June 1, 2016. Is he a resident or nonresident in 2019?
  – 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 2019?
  – Answer: Nonresident (same rules as primary visa holder)
Resident vs Nonresident Examples

› Juanita, a J-1 (teacher) visa-holder arrived in the U.S. on December 30, 2017. Is she a resident or nonresident in 2019?
  - Answer: Resident

› Joan, in the U.S. on an F-1 (student) visa, is married to Bob who received a green card in 2019. 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
  – Nonresident aliens on -2 visas do pay social security taxes

› How to get a refund
  – If you are not supposed to pay, must 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
  – Talk to us during your appointment at the clinic and we can help for free
Changes for Tax Year 2018 (& 2019)

› Exemption
  - An amount of income you don’t pay taxes on
  - Based on people
    › One exemption for yourself
    › Those from Canada, Mexico, India, and S. Korea may get exemptions for some family members
  - Still exist, but amount reduced to $0
    › No need for an ITIN for a spouse who doesn’t have US income
      – Just file form 8843, which doesn’t require a SSN/ITIN

› Tax and Withholding rates changed

› Possible credit for those from Canada, Mexico, India, and S. Korea
  – Must have a child who has a SSN
Items Needed to Prepare Your Tax Return

› An ID number for the taxpayer
  - Social Security number
  - Individual Taxpayer Identification Number (ITIN)
  - Child(ren)’s SSN to claim credit if from Canada, Mexico, India, or S. Korea

› Your passport & visa numbers, along with all U.S. entry/exit dates

› ALL income statements
  - Forms W-2 for wages
  - Forms 1099 for interest & dividends
  - Form 1042-S for scholarships & treaty income
    ‣ Mailed by March 15

› Last year’s federal and state returns if you filed them

› For the MN property tax refund
  - Certificate of Rent Paid from your landlord
  - Printout of One-Stop student account information
    ‣ One Stop, under MyU, My Finances, Account Activity, all activity for 01/01/19 to 12/31/19
Information on 1042-S Documents

› The 1042-S forms for the University of Minnesota will be mailed by March 15th

› If you believe that you should get a 1042-S but have not received it, please contact payroll to determine if you are supposed to get a 1042-S, and if it may have been sent to your address in your home country. Their contact info is ohr@umn.edu

› If you are going to receive a 1042-S but do not yet have it, you **must** wait until you have the form to prepare your taxes. Your taxes will be incorrect if you try to prepare your returns without all income documents. If you file your taxes without including all income, the IRS and MN may charge you interest and/or penalties on top of the additional tax they will calculate you owe.

  – We will give you the IRS and MN instructions on how to file an amended return, but we will not do the amended return for you.
Tax Software

› The UofM ISSS purchases licenses for int’l students & scholars to prepare their federal returns
  – Goes through the UofM x500 login process to verify eligibility

› Software also will prepare MN state tax returns
  – Students can choose to pay ($30+) Sprintax to prepare their MN return
  – Last year Sprintax incorrectly prepared MN returns for most filers
    › Incorrectly gave all MN returns the standard deduction, not just students from India
    › Students affected received a larger refund (up to $450) than they were entitled to
    › Students affected will need to file an amended return and pay that money back.
      – Sprintax has emailed all affected students and prepared an amended return free of charge.
Preparing your state return or other forms

› You do not have to pay to get your taxes done!

› Free options for your MN state income tax return:
  – Complete it yourself with the guidance from state presentation
  – Make an appointment at the NRVTAP clinic and we will help you do your MN income and property tax returns for free (and check your federal):
    › https://www.nrvtap.com/

› Sprintax will also charge you to prepare other forms such as add’l forms 8843 ($16), form 843 ($16) or form W-7 ($16), or post filing service ($15)
  – You can say no / remove those at check-out.
  – We can provide help:
    › Add’l forms 8843: Talk to us at your clinic appointment, email nrvtap@umn.edu
    › Form 843 (SS/Medicare Tax): Talk to us at your clinic appointment, email nrvtap@umn.edu
    › W-7 (ITIN Application): ISSS Office
    › Letter from IRS or MN Dept. of Revenue: ISSS or email nrvtap@umn.edu
State Returns

Do you want to pay $30 to do your state return?

Check this box if you want to pay to do your return

Uncheck this box if you want your taxes for free
MN Property Tax Refund

› Do you want to pay $20 to do your MN property tax return?

Check yes if you want to pay to do your property return
Check no if you want to do your return for free
NRVTAP FREE TAX CLINICS

We are volunteer student organization made up of a students and trained tax professionals.

Our mission is to provide tax assistance to international students and scholars at the University of Minnesota.

By appointment or Walk-in!

https://www.nrvtap.com

Must have UofM email to make appointment
One appointment per person
Identification will be confirmed during check-in
See our website for full list of requirements

Tuesdays:
Feb 25 – April 14
No clinic during spring break
Appointments at: 5:15pm, 6:15pm, 7:15pm

Saturdays:
April 4 and April 11
Appointments at: 12:00 pm, 1:00 pm, 2:00 pm

Wednesdays:
March 25 and April 4
Appointments at 5:15pm, 6:15pm, 7:15pm

• Appointments are 65% booked!

• Guaranteed availability for walk-ins every clinic session
NRVTAP Free Tax Clinics

## Criteria to get an appointment
- Nonresident alien
- UofM Student/Scholar/Teacher/Researcher in 2019
- Total income under $56,000

## What to bring:
- Printout of reminder email
- Printout of your federal tax return
- Photo ID (student ID, passport, driver’s license)
- All income documents (W-2, 1042-S, 1099)
- Prior year federal and state returns
- Intake / Interview Form 13614-NR

## If you want to file MN property tax refund
- Certificate of Rent Paid
- Printout of your 2019 One-Stop student account statements
  - One Stop, under MyU, My Finances, Account Activity, all activity for 01/01/19 to 12/31/19

## Don’t be late!
- We will give your appointment away to anyone waiting for a walk-in spot.
Getting into the tax software

› Link on ISSS website:
  – https://isss.umn.edu/taxes/

› You must log-in with your x500 through the ISSS website to get the license code applied properly and get your return prepared for free
Software & Other Tips

› Can’t find your copy of your prior year federal return?

› Can’t find your copy of your prior year state return?
  – [http://www.revenue.state.mn.us/individuals/individ_income/Pages/Requesting_Copies_of_Previous_Returns.aspx](http://www.revenue.state.mn.us/individuals/individ_income/Pages/Requesting_Copies_of_Previous_Returns.aspx)

› Did you get a state tax refund last year?
  – Enter it on: Step 3, Let’s talk money, Additional tax filing information, previous US tax returns, YES you filed a state tax return before, and YES you had an overpayment (refund)
  – Not sure how much it was?
    ‣ [https://www.mndor.state.mn.us/tp/1099/_/?Reset=1](https://www.mndor.state.mn.us/tp/1099/_/?Reset=1)

› Did you owe more state tax last year?
  – Enter it at: Step 4, offset your expenses, other expenses, any other expenses, State and local taxes paid in 2019 for prior tax year (2018)
Software & Other Tips

› You will need to enter your travel dates to and from the U.S. in the residency section. Forget when those were?
  – https://i94.cbp.dhs.gov/I94/#/home
  – Be sure to enter all prior visit dates and visa types

› If you have a 1042-S you will need to enter a state ID number for the payor.
  – If this box (17b) is blank, you can enter 1
Other Help on the Web

› www.irs.gov
  - Download Publication 519 and 901
  - Download forms 1040NR / NR-EZ and instructions

› http://www.revenue.state.mn.us/Pages/default.aspx
  - Download forms and instructions for MN income and property taxes
Sprintax Demo
Example #1 - Lisa Hui

› F1 student from China
› Arrived in U.S. on 8/8/2017
  – She went home to China 5/24/18 – 8/31/18
› Lived off-campus for all of 2019
  – Qualifies as an abode
› Worked on campus in 2019
› Filed tax returns in March 2019:
  – 2018 Federal 1040NR-EZ:  Paid $750 in tax, got $205 refund
  – 2018 MN:  Paid $350 in tax, got $169 refund
› Studying accounting at the U of Mn
  – Address for ISSS:
    › 190 Hubert H5. Humphrey School | 301 19th Ave. S., Minneapolis, MN 5455
    – ISSS Contact: Tracee Senti
› Passport # 123456789
Example #1 - Lisa Hui

<table>
<thead>
<tr>
<th>Employee’s social security number</th>
<th>111-11-1111</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer identification number (EIN)</td>
<td>41-1234567</td>
</tr>
</tbody>
</table>
| Employer’s name, address, and ZIP code | University of Minnesota  
100 University Ave  
Minneapolis, MN 55145-1000 |
| Employee’s first name and initial | Lisa  
Hui |
| State Employer’s state ID number | MN 8029894 |
| Wages, tips, other compensation | 8,000.00 |
| Federal income tax withheld | 800.00 |

Lisa Hui  
200 University Ave. #1  
Minneapolis, MN 55145-1001
Example #1 - Lisa Hui

Code: 20
Income: $5,000
Example #1 - Lisa Hui

Renter/Unit Information

LISA HUI
200 UNIVERSITY AVE 1 MINNEAPOLIS MN 55455 RAMSEY
01/01/2019 12/31/2019

Property Information

Property to or Parcel Number
032.55.4568.7844

Number of Units on This Property
10

Rent Details

A. Was any rent paid by medical assistance (Medicaid)?

B. Did the renter receive housing support?

Total Rent

1. Renter’s share of rent paid

2. Caretaker rent reduction

3. Total rent (Add lines 1 and 2)

Line 3: $7,200

Property Owner

BEST RENTAL COMPANY EVER
200 UNIVERSITY AVE #A MINNEAPOLIS MN 55455

Sign Here

P. J. FLECK

Date
01/15/2020
To Minnesota Tax