Everything you need to know about Non-Resident Tax

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Sprintax
Overview:

• Overview of tax for non-resident students and scholars
• Changes for 2018 tax year
• Student tax behaviour in 2017
• Using Sprintax to prepare your tax returns
• Questions
The aim of this presentation is to provide you with a general understanding of tax principles as they apply to international students and as such is for information purposes only. Each individual has a unique tax position and is responsible for his or her own tax determination and compliance.
Hands Up...
Important dates for 2019

2018 tax filling season is for income from

- 1st January – 31st December 2018
- Filling deadline is Monday, April 15\textsuperscript{th} 2019
Differences between residents and nonresidents
Generally, most international students & scholars who are on F, J, M or Q visas are considered nonresident for tax purposes.

International undergraduate students on J1 & F1 visas are automatically considered nonresident for their first 5 calendar years in the US.

Scholars/Researchers on J visas are automatically considered nonresidents for 2 out of the last 6 calendar years in the US.

If you’ve been in the US for longer than the 5 or 2 year periods, the Substantial Presence Test will determine your tax residency.
Everyone has some type of IRS filing obligation...

Who must file for 2018?

- Received taxable earnings or income over $0–2018 no personal exemption amount
- Received a taxable stipend, grant or allowance in 2018
- Everyone must complete Form 8843 – irrespective of income or days of presence
Form 8843 – minimum filing requirement for all
Withholding tax

- As a non resident ‘withholding tax’ may be applied to some or all payments made to you at a rate of 30%

- 65 tax treaties in place to reduce this or to exempt that income

- Opportunity to claim refund via year end tax return
Federal requirement – Form 1040NR/EZ

• From 1\textsuperscript{st} January 2018 – everything over $0 is taxed!

• US Source Income
  • Wages
  • Taxable Stipend, Grant, Scholarship, Award
  • Interest, rental, royalty or other income

▪ Only opportunity to reclaim overpaid tax, is by filing a return
Income which does not trigger a filing requirement

- Scholarship for tuition and related expenses
- Scholarship received from outside the US
- Money transferred from parents/relatives overseas
- Income ‘earned’ in their home country (investment income, rent, job before moving to US, etc.)
- Interest on regular savings account
- Gift of money from someone in the US*
What tax documents can students receive

**W2**
- Wages, Salary, Compensation (Employment Earnings)

**1042-S**
- Royalty Payments
- Scholarship Stipend/Non-Degree Aid
- Prize/Award/Miscellaneous foreign payments

**1099 Series**
- Rental income
- Investment Income
- Commissions
- Other income
- Independent Contractor Services
Items needed when preparing return

- Income documents
- Passport
- Visa - I-20, DS-2019, etc.
- Entry and exit dates
- Social security / ITIN
- 4 c’s
  - A comfortable Chair
  - Clear desk/table space
  - A strong cup of Coffee
  - Chocolate bar!
  - Save the Cocktail until you’re finished!
Income tax forms to be completed

Federal tax
- 1040 NR: “U.S. Nonresident Alien Income Tax Return”
or
- 1040 NR EZ: “U.S. Income Tax Return for Certain Nonresident Aliens with No Dependents”

State tax
- Income tax return for each state where student resided/earned income during 2018

Tip: They are referred to as “Tax Returns”, because they are used to getting money back!
Nonresident spouse and dependents

Same filing requirements as visa holder:

- No joint returns for Nonresidents

- Obligations
  - Minimum is Form 8843
  - 1040NR/EZ if applicable
  - Each dependent should mail them in separate envelopes

- Nonresident can elect to file as resident – when married to a tax resident
FICA taxes

- Nonresident international students and scholars (J1 & F1) **should not be** paying FICA.

- H-1B, J-2 and TN visa-holders, **are subject to FICA taxes from their first day of employment.**

- Usually only applied to off campus employment
  - However, resident, graduates, and on campus OPT do pay

- Opportunity to claim back
  - From employer
  - Via Form 843 & Form 8316
ITIN- Individual Taxpayer Identification Number

- Required when filing Federal return
- Most common among scholarship recipients (athletes)
- Not needed on Form 8843
- Application process is tricky!
- CAA may now certify dependents (Certified Acceptance Agent)
• Tuition Statement

• Mostly used to claim education tax credit

• Significant cause of misfiling for nonresidents

• Not relevant for nonresidents

• Sometimes - all students with an SSN on file with school will get one – even nonresidents, so it can cause a lot of confusion!
• Form 1095-A:
  • Healthcare coverage purchased through Health Insurance Marketplace – ‘ObamaCare’
  • Generally not applicable to international students & scholars
  • Can be used in limited circumstances

• Form 1095-B:
  • Healthcare coverage provided through insurance provider or self-insured employer
  • You do not need 1095-B for your non-resident return

• Form 1095-C:
  • Healthcare provided through employer (generally more than 50 employees)
  • You do not need 1095-C for your non-resident return
• Resident, part-year resident and nonresident status

• Forms and rules vary from state to state
  • Federation of Tax Administrators website
  • www.taxadmin.org/state-tax-forms
• Most students (F1’s and J1’s) are considered non-residents for PA state tax purposes.
• Unless a student considers PA to be his new home, is supporting himself, and has established a permanent abode in PA, the student is considered a nonresident.
• Todd should file as a resident in the state/country where his parents live or his permanent place of abode is, and file a tax return in PA as a nonresident.
• You must file before midnight, April 15, 2019.
• Every resident, part-year resident or nonresident individual must file a Pennsylvania Income Tax Return (PA-40) when they received total PA gross taxable income more than $33, even if no PA tax is due.
Timelines for a refund

- Federal
  - 6 weeks - 6 months
  - Contact IRS to follow up
  - E-filing – kinda, sorta, maybe??

- ‘Where’s my refund’
- https://irs.gov/refunds
Don’t panic - but do set the record straight

Never filed....
  - Catch up
  - Can back file at any stage
  - Can only claim a refund for previous 3 years

Misfiled.....
  - 1040X - Amended U.S. Individual Income Tax Return
  - Simple form, similar to 1040
Implications of not filing

- International students are required to comply with all US laws, including IRS.
- Filing tax forms (even if only 8843) is part of maintaining visa status in US.
- Not filing could affect future immigration status (like H1B, LPR).
- Fines, penalties, interest can accrue if the IRS are owed.
- Might be missing out on a refund!
• Use caution and common sense

• IRS would never ask for personal details without proper communication

• IRS not seeking to penalize anyone – just want to make sure the fair and correct taxes are paid on time

• Same format (internationally!)
  • Money owed
  • ‘Instant’ payment will make problem go away
  • Voucher/prepaid credit card reference preferred payment option
Changes for 2018
• The personal exemption of $4,050 has now been removed. Anyone that earns over $0 of US income will now have to file a federal tax return and will be taxed on this income.

• Standard deduction has increased from $6,350 to $12,000 (positive for Indian students/trainees only)
Tax Profile of 182,000 Students & Scholars
2018 Federal & State Refunds

Federal

- 89% Received Refund
- Average Refund: $1,111

State

- 56% Received Refund
- Average Refund: $328
Dear international student,

As an international student in the US, it’s important that you understand the tax requirements of your visa and your filing obligations with the IRS.

If you did not work or receive any income in the US, you are legally obliged to file the Form 8843. If you worked or received a stipend, grant or allowance in the USA (over a certain amount) you may also need to file the Form 1040NR.

John Doe University has arranged discounted access to Spintax Tax Preparation, which will guide you through the tax preparation process, prepare the necessary documents and even check if you are due a refund.

Spintax was used by over 50,000 international students and scholars last year, and the average Federal refund received (by those eligible) was over $1,000.

All you need to do is:

1. Register and follow the simple instructions
2. Complete the online questionnaire
3. Enter the unique discount code J015816D in the box on the “Review your order” page
4. Spintax will prepare your tax return.

As a reminder, you have to print, sign and mail your documents once you complete the preparation process in Spintax.

If you have any questions, please use the live chat function on Spintax and their team will be happy to help.

All the best
The online US tax prep solution for international students and scholars

- Non-resident federal and state tax preparation
- Built-in knowledge of over 350 different types of tax deductions
- 65 international tax treaty agreements and exemptions covered
- Maximum legal tax refund for federal, state & medicare
- US tax compliance guaranteed

Sprintax is an easy-to-use system that will guide you through each part of the 1040NR tax return process. Just complete the registration form to get started.

Create an account

- First name*
- Last Name*
- Country Code*
- Phone number*
- Email*
- Choose Password*
- Confirm Password*

I agree to the Sprintax terms and conditions
I agree to information disclosure under IRC Section 7216

Get started
Residency

Step 1 - Residency

Residency status
Have you been a US citizen, by birth or naturalization, on the last day of 2017? Yes ☐ No ☐
Have you ever been a green card holder? Yes ☐ No ☐
Have you ever applied for US citizenship or lawful residence? Yes ☐ No ☐

Visiting the US
Were you in the US during the 2017 tax year? Yes ☐ No ☐
When was your first visit to the US? 2017
Are you still in the US? Yes ☐ No ☐

NOTE: Your residency status is determined by the complete history of all your visits to the US including any visits as a student, trainee, tourist and all other entries to the US from 1986 onwards.

Please provide details below of all your visits to the US starting from...

<table>
<thead>
<tr>
<th>Visa type/Visitor status</th>
<th>Entered US on</th>
<th>Intention to Leave US on</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1 - Student</td>
<td>9/03/2017</td>
<td>6/06/2017</td>
</tr>
<tr>
<td>J1 - Scholar</td>
<td>1/10/2018</td>
<td>12/28/2018</td>
</tr>
</tbody>
</table>

NOTE: Please enter your Visitor Status from your I-20 or DS-2015 in the field above. For more information on your visa or status, click here.
NOTE: If you're still in the US you can enter your visa expiry date.
Income Forms

Step 3 - Let's talk money

W-2 forms(s)

Please enter the required information in the blue boxes. We recommend that you use Copy C of your W2 form to complete your income and tax information.

If the information in boxes 16-20 differs on copies B and C of your W2 form, please attach copy C to your Federal tax return.

DO NOT combine information from different forms.

If your original W-2 does not have amounts in boxes 16-20 on two rows, do not enter any information on the second row below.

Select employee type: College, University or other Educational Institution.

Get Help

FAQ
Ask Stacy
Call us

Got a question?

Tax can be tricky, so we’re here to help.
If you have a question, click here to search our frequently asked questions.
Or click 'Ask Stacy' to get an immediate answer now!
Other Income

Step 3 - Let's talk money

Income not reported elsewhere

Did you receive any other income from US sources not reported on the W-2, 1042-S or any other payment documents which you have not entered yet?

Yes ☐ No ☐

Add not reported income

<table>
<thead>
<tr>
<th>What type of income did you receive?</th>
<th>Amount</th>
<th>Type of Service/Entity: None</th>
<th>Employer Name</th>
<th>Employer EIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please Select</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please Select</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarships/Grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prize/Award</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Get Help
Step 6 - State Taxes

Living in the US

Please provide details of each state you lived in during 2017. You should also include any periods spent outside the US (if applicable).

See Example

<table>
<thead>
<tr>
<th>Entry date</th>
<th>Exit date</th>
<th>State</th>
<th>Type of accommodation</th>
<th>Type of visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/2017</td>
<td>01/16/2017</td>
<td>Outside US</td>
<td></td>
<td></td>
</tr>
<tr>
<td>01/17/2017</td>
<td>06/02/2017</td>
<td>New York</td>
<td>Dwelling owned by</td>
<td></td>
</tr>
<tr>
<td>05/03/2017</td>
<td>09/08/2017</td>
<td>New Jersey</td>
<td>Other temporary</td>
<td></td>
</tr>
<tr>
<td>09/09/2017</td>
<td>12/31/2017</td>
<td>New York</td>
<td>Dwelling owned by</td>
<td></td>
</tr>
</tbody>
</table>

Have you lived and/or worked in NY in 2016? [Yes] [No]

Enter the date when you left or intend to leave New York State permanently: 01/31/2018
Let's review your order

**Guaranteed 100% accurate**

**Federal Return**
- Includes: 1040 NR / 1040 NR EZ, Scholarship and fellowship grants, Employment income, Tax Treaty exemptions (more)
- $35.95
- Remove

**State Return**
- Includes: Tax credits, Exemptions and deductions, Data transferred from federal tax return
- $25.95
- Remove

**(New York)**

Insert access code here
- If your International Student Office has given you a code to access 360Tax, please enter it here.
- ASLD45361
- Validate
Your completed IRS Forms

Dear RYAN,

Enclosed please find two copies of your 2017 federal income tax return, which you prepared through Sprintax tax software. File one copy with the Internal Revenue Service and retain the second copy for your records.

Sincerely,

[Name]

Department of the Treasury
Internal Revenue Service
Austin, TX 78704-4000, USA

Form 1040NR
U.S. Nonresident Alien Income Tax Return

Filing Status
1. Single or married filing separately
2. Married filing jointly
3. Qualifying widow(er) (see instructions)

Exemptions
1. Standard deduction is $1,050
2. Earned income exclusion (see instructions)
3. Qualifying child (see instructions)

Income Effectively Connected With U.S. Trade/Business
1. Wages, salaries, tips, etc. (Form W-2)
2. Self-employment income (Form 1040-ES)
3. Unemployment compensation

Adjusted Gross Income
1. Health savings account deduction (Form 8889)
2. Moving expenses (Form 3903)
3. Deductible part of self-employment tax (Form 1040-ES)
4. Self-employed SEP, SIMPLE, and qualified plans
5. Self-employed health insurance deduction (see instructions)
6. Penalty on early withdrawal of savings
Americas most wanted criminal

Al Capone

What did they eventually arrest him for?

Not reporting his TAXES!

Please do your taxes!
Thank you!