Non resident tax What you need to know







Disclaimer: The information provided here is for informational purposes only. Each individual has a unique tax position and is responsible for his or her own tax determination and compliance.

Student = Scholar & vice versa!



- I. Overview of tax for non-resident students and scholars
- II. Student tax behavior for tax year 2016
- III. Sprintax overview
- IV. Questions

Topics:

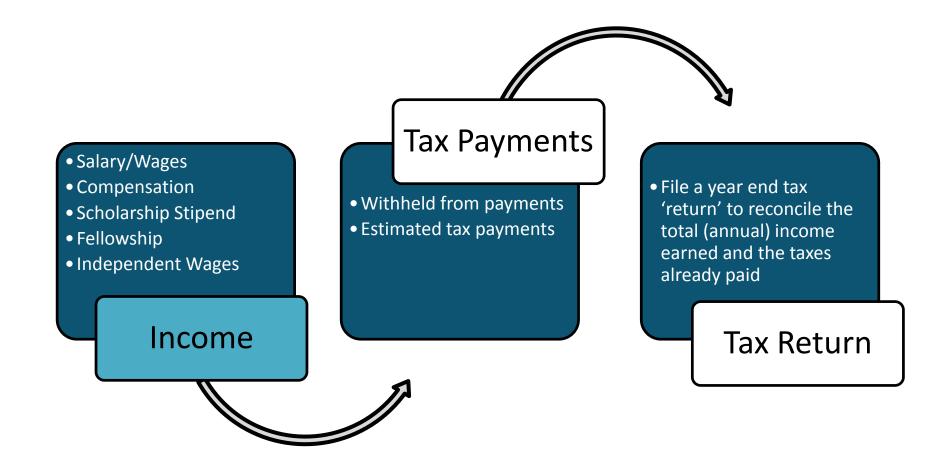


- ✓ How taxes work
- ✓ Who must file a 2016 US tax return?
- ✓ What tax forms should I receive?
- ✓ Forms you need to complete and send to IRS
- ✓ No income received- what form do I need to file?
- ✓ Nonresidents for Tax Spouses (J2, F2, H4)

- ✓ What is FICA?
- ✓ What is ITIN?
- ✓ What is a 1098-T?
- ✓ State Tax Returns
- ✓ What happen if I don't file my US tax form(s)?
- ✓ Items you need to prepare your Federal and State tax returns

TAX: How it works?





Resident or Non-Resident for tax?



- Tax status completely independent of immigration / visa status
- Generally, most international students who are on F, J, M or Q visas are considered non-resident for tax purposes.
- International students on J1 & F1 visas are automatically considered nonresident for their first 5 calendar years in the US
- Scholars/Researchers (and their dependents) on J visas are automatically considered non-residents 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 <u>Substantial Presence Test</u> will determine your tax residency.

Who must 'file' for 2016?



- ✓ If you received any other taxable earnings or income over the personal exemption (\$4,050 for 2016 TY) from US sources, even if they are covered by a tax treaty agreement
- ✓ If you overpaid tax which you want to claim back
- ✓ If you worked in the US
- ✓ If you received a taxable stipend, grant or allowance in 2016
- ✓ If you had no earnings if you did not work or receive income in the U.S. you still need to declare your nonresident status by completing Form 8843.

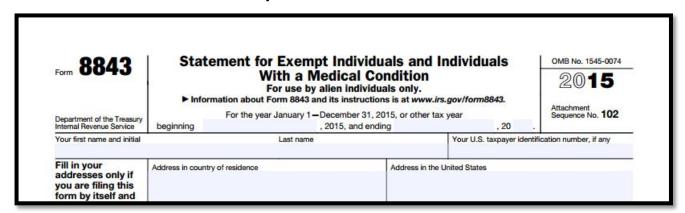
Bottom line: Everybody needs to do something



No income - what do I need to do?



- Students in F-1 or J-1 non-immigrant student status as well as their F-2/J-2 dependents, who are nonresidents for tax purposes, MUST file Form 8843 regardless of whether they received income in the U.S. or not
- Also called, "Statement for Exempt Individuals and Individuals with a Medical Condition."
- Form 8843 must be postmarked and mailed to the IRS



Important dates in 2017



■ Tax year runs from 1st January to 31st December

- 2017 tax filing season is for income from
 - 1st January 31st December 2016

Filing deadline is Tuesday 18th April 2017

What tax forms should I receive?



W2

• Wages, Salary, Compensation (Employment earnings)

1042-S

- Royalty Payments
- Scholarship Stipend/Non-Degree Aid
- Independent Contractor Services
- Prize/Award/Miscellaneous foreign payments

Fees

1099 series

- Rent Settlements
- Investment Income
- Commissions Services
- Other income

'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





Witholding tax



- As a non resident a '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

Forms you need to complete



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 you resided/earned income during 2016

Tip: They are sometimes referred to as "<u>Tax Returns</u>", because you get your money back!



Non-resident Spouses



Tip: Spouses and Children (regardless of age) may need to file a Form 8843 if they are in non-resident tax status

If spouse is working

Will need to file own federal and state tax return and form 8843



Will only file 8843. Do not submit this form in the same envelope as spouse



What is FICA?



- Federal Insurance Contributions Act
 - Social Security and Medicare are deducted from wages
- Non-resident aliens on F-1 and J-1 visas are exempt from paying FICA taxes until they become tax residents.
- Students also fall under the student FICA exemption, so generally students do not pay FICA taxes even after they become residents for tax purposes.
- J-1 researchers/scholars generally maintain non-resident status for their first 2 calendar years in the U.S. On January 1 of the third calendar year of presence, they begin to pay FICA taxes.
- All other non-residents, including H-1B, J-2 and TN visa-holders, are subject to FICA taxes from their first day of employment.



What is an ITIN?



- Individual Taxpayer Identification Number (ITIN) is required for students/scholars who receive taxable income but are ineligible for a SSN (Social Security Number), such as stipend recipients that do not have a job (on or off campus).
- If you don't have a SSN or ITIN, you must apply for an ITIN when filing a 2016 tax return.
- Most common among scholarship recipients (athletes)
- Do not need an ITIN for Form 8843
- Application process is tricky!



What is a 1098-T?



- Form 1098-T (the Tuition Statement) is a statement of the qualified tuition and related expenses billed to you by the university
- It is generally used by US tax 'residents' when claiming educational tax credits, often for a dependent
- Form 1098-T (the Tuition Statement) <u>concerns US nationals and tax</u> <u>residents only</u>. However it is sometimes issued to all students, regardless of residency.

Non-residents do not need, and cannot use, a 1098-T on their 1040NR/NR-EZ.

What is a 1095-A, 1095-B or 1095-C?



Form 1095-A:

- Healthcare coverage purchased through Health Insurance Marketplace 'ObamaCare'
- Generally not applicable to international students & scholars
- Can be used on a 'resident' tax return, 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

All the W's



- W2 –Summary of wages and tax paid
- W4 Given to employer so they can tax you correctly (mostly for residents)
- W7 Application for ITIN
- W8(Ben) Certificate of non-resident status, where a reduced tax treaty rates applies to the non-resident's income (confirmation of non-resident status, country of residence and tax treaty position eligibility for specific treaty income)
- W9 Request from employer or someone paying you for your SSN or ITIN so they can report payment made to you

State Taxes



- Resident, part year resident and non-resident status
- If you have to file a Federal, you most likely will be filing a State too
- Forms vary from state to state
- Submit a copy of your Federal Return, with your State
- Only opportunity for a refund is if you file



New York State Tax Return



Do I need to file New York state tax return?

You must file a NY Tax Return if:

- You are a non-resident with New York source income and your New York adjusted gross income exceeds your New York standard deduction, \$7,950 for 2016 tax year
- You are resident and you have to file a federal return
- You are resident and you did not have to file a federal return but your federal adjusted gross income was more than \$4,050
- You want to claim a refund of any New York State, New York City, or Yonkers income taxes withheld from your pay

You may have additional filing responsibilities if you have Yonkers or New York City income.



Resident v Non-resident for NY State Tax



- Most full-time undergraduate international students (F1's and J1's) are considered non-residents of NY state and city for tax purposes
- Other international visitors, including part-time students, J1
 international professors, researchers and scholars, and
 individuals in H4 status are considered NY residents for state
 and city tax purposes if they both
 - 1) had a place to stay in NY for at least 11 months
 - 2) were physically in NY for at least 6 months of the year.



Items needed to prepare your tax returns



- Passport or other valid photo ID
- US Entry and Exit Dates for current and all past visits to the US I94
- All tax forms, including Forms W-2, 1042-S and/or 1099 if you received them
- Visa/Immigration Status information, including Form DS-2019 (for J visa holders) or Form I-20 (for F visa holders)
- Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)
- 4 c's
 - A comfortable Chair
 - Clear desk/table space
 - A strong cup of Coffee
 - Chocolate bar!

Save the **Cocktail** for when you're finished!



Timelines for a refund



Federal

- Normally 6 8 weeks but IRS allowed up to 6 months
- Contact IRS to follow up
- Where's my refund?
 - https://www.irs.gov/refunds

Delays in processing returns with 1042S income

- Up to an additional 6 months of processing time
- Affected a lot of students
- Unlikely to be the same in 2017



What happens if I don't file my US tax forms?



- You may be overpaying your taxes, giving away your hard earned money
- Non-filing of taxes may affect a future application for U.S. Permanent Residency (i.e. "green card")
- If you owe money, you could be subject to substantial monetary penalties and fines
- In extreme cases involving fraud, you could lose your legal immigration status in the U.S.

Missed a year or filed as a resident by mistake?



Don't panic - but do set the record straight

Misfiled:

- 1040X Amended U.S. Individual Income Tax Return
 - Simple form, similar to 1040

Never filed

- Catch up
- Can back file at any stage if you owe the IRS
- Can only claim a refund for previous 3 years

FAKE NEWS about taxes



I didn't have a job – I don't need to file any tax forms

- WRONG

- WRONG

■ I am not from the US – I don't need to file any tax forms

- WRONG
- My country has a tax treaty with the US, I don't need to file and forms
- If I don't bother doing anything, the IRS will never find out
 - Do you want to test them, and take that risk?

Tax Scams

- Some scams exist
- Use caution and common sense
 - IRS wound 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

Other tips



- I never received the income documents follow up now
- Keep copies of everything you send
- Use a tracked mail service
- Can I have the refund paid into a bank account?
- Don't copy what your friend did!



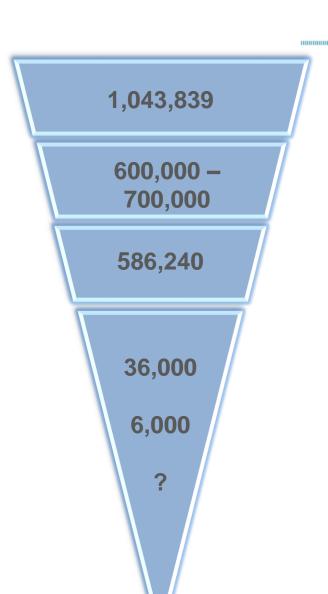
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MARKET OVERVIEW



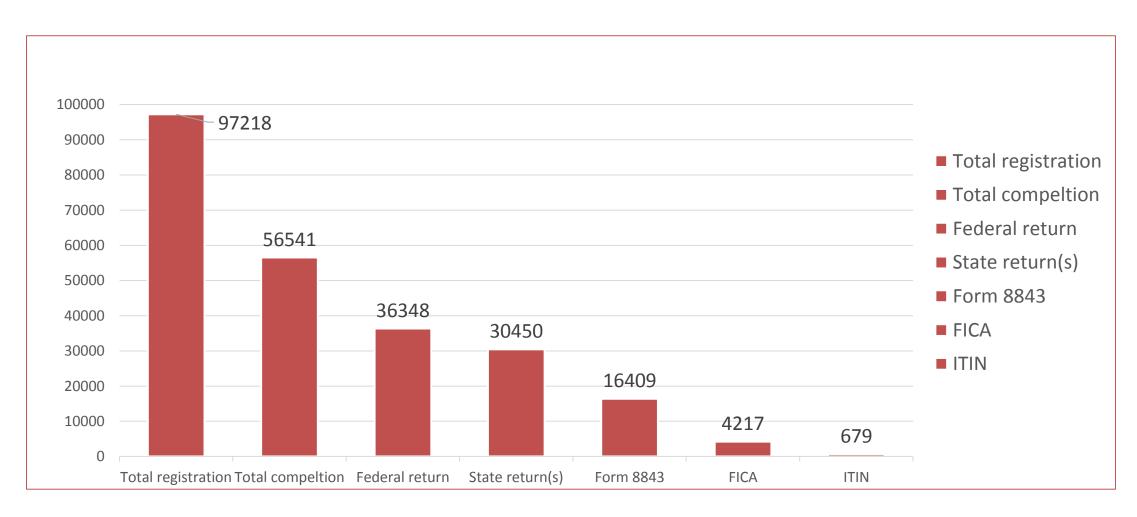
✓ Total number of international students

- ✓ IRS Estimate of filing requirement
- ✓ 2015 filing 1040NR
 - However not all of these are students
- ✓ Sprintax 2015 TY Customers
- ✓ VITA assisted
- ✓ Others?



Profile of approximately 100,000 students – Sprintax 2016

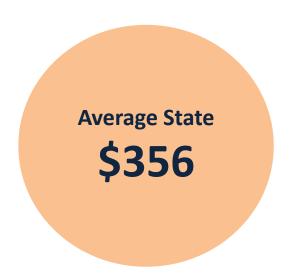




Tax refunds



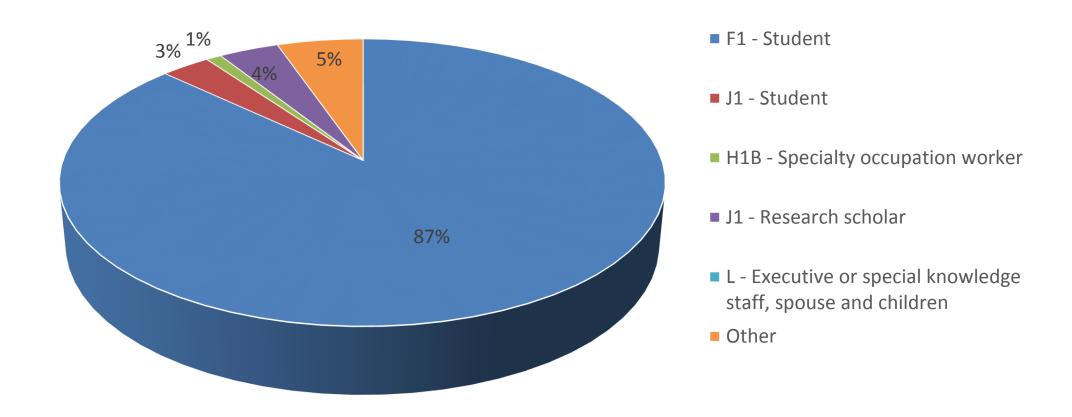




89% of Federal customers received refund 74% of State customers received refund

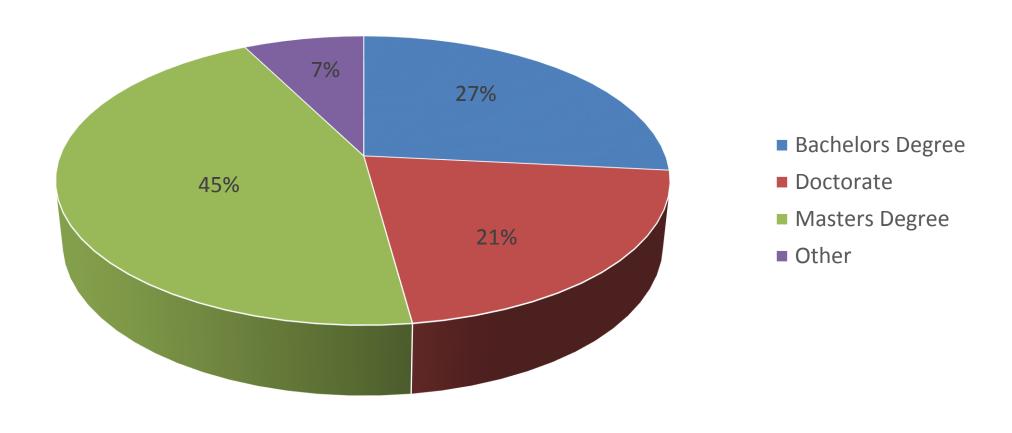
Visa profile





Education profile



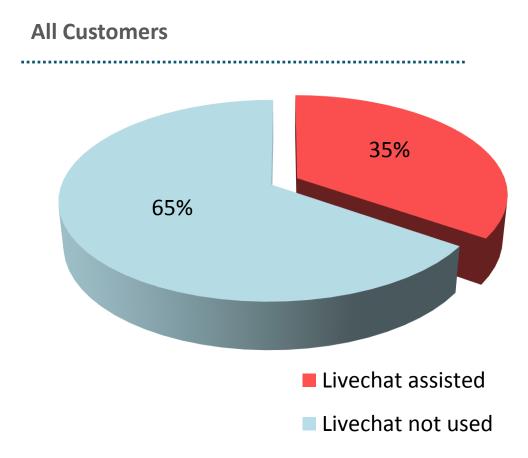


Live-Chat Assistance



Complete alone / ask for assistance

- Only 35% of customers needed some level of assistance
- The most common questions related to the substantial presence test and State taxes

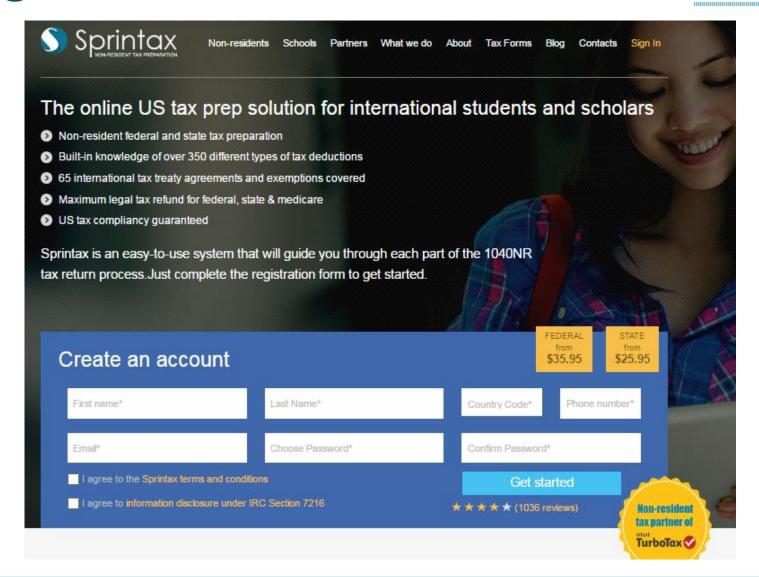




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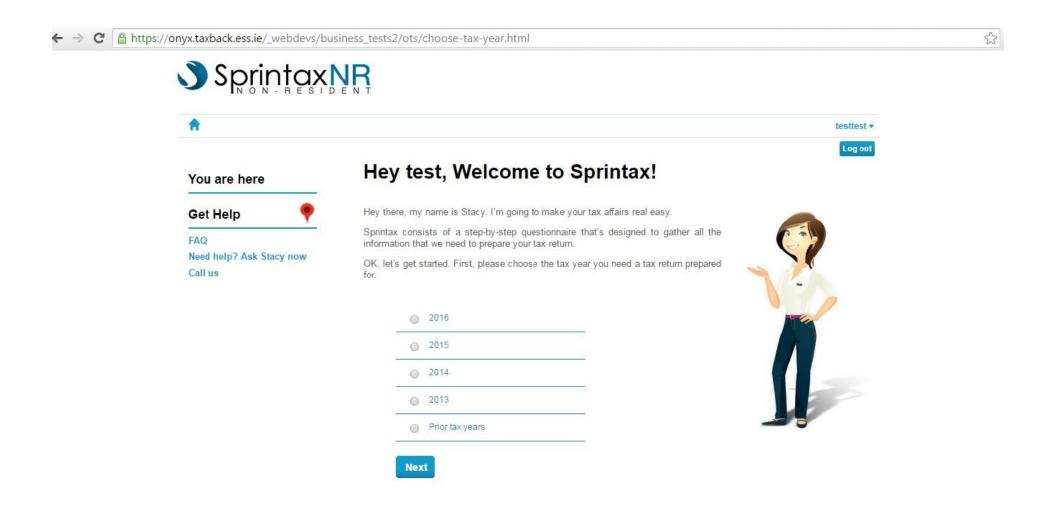
Login Page





Choose tax year





Residency and entry/exit dates

F1 - Student



s://onyx.taxback.ess.ie/ webdevs/business tests2/ots/residency-status-2016.html Progress Tax Year 2016 testtest v Log out You are here Step 1 - Residency Residency Residency Status Residency status Getting to know you Have you been a US citizen, by birth or naturalization, at the last Yes No . Let's talk money day of 2016? Offset your expenses Have you ever been a green card holder? Yes No O About your college State Taxes Have you ever applied for US citizenship/lawful residence? Yes No . Review Finished Visiting the US Get Help When was your first ever visit to the US? 2014 🔻 FAQ Are you still in the US? Yes
No Need help? Ask Stacy now 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 Call us 1986 onwards. Please provide details below of all your visits to the US starting from 2014 + add visit Visa type/Visitor status Entered US on Left US on 1 F1 - Student 10/04/2014 09/01/2015

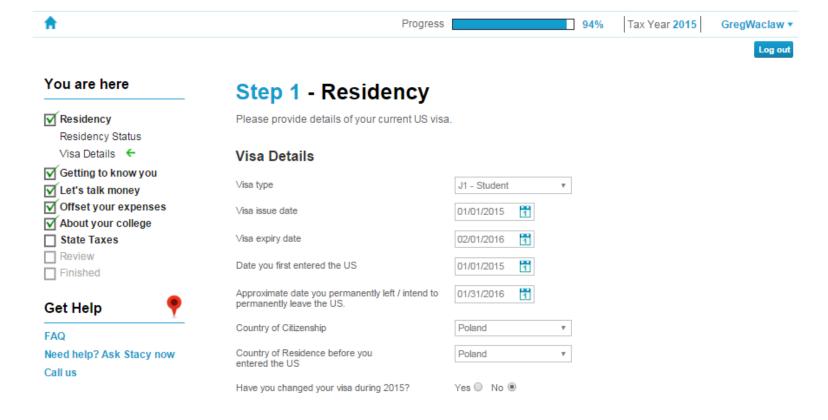
Note: Please enter your Visitor Status from your I-20 or DS-2019 in the field above. For more information on your visa or status, *click here*.

▼ 10/23/2015

VISA details







Next

www.sprintax.com

Choose your income documents



Tax Year 2016

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Log out

.ps://onyx.taxpack.ess.ie/_webdevs/business_testsz/ots/iets-taik-money-zuto.ntmi Progress You are here Step 3 - Let's talk money Residency Getting to know you Income Documents received in 2016 Let's talk money Tell us about what income documents you received in 2016. Offset your expenses For each unique form that you received select "+add document" to enter the information into the system. If you have received a form with multiple identical About your college copies from one employer, please treat it as one form. You may enter as many State Taxes of each different form as necessary. DO NOT combine information from Review different forms, enter each form separately. Finished + add document Get Help Income document type Quantity W-2 forms(s) FAQ 1042 - S Need help? Ask Stacy now 1099 - B (Broker and Barter Exchange) 1 Call us 1099 - DIV (Dividends and distributions) 1 1099 - G (Government Payments) 1099 - INT (Interest Income) 1099 - MISC (Miscellaneous Income) ▼ 1

Letter from the Payer (University)

W-2 Form



Getting to know you Let's talk money Income Documents	Please enter the req							
W-2 forms [1] ← ☐ Offset your expenses ☐ About your college ☐ State Taxes ☐ Review ☐ Finished	please attach copy C DO NOT combine inf If your original W-2 d enter any information	If the information in boxes 16-20 differs on copies B and C of your W-2 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 employer type College, University or other Educational institution						
Get Help		a Employe	e's social security nu	mber OMB No. 15	645-0008			
FAQ	b Employer identification no 12-1234567	b Employer identification number (EIN) 12-1234567			1 Wages, tips, other compensation 35000	2 Federal income tax withheld 3500		
Need help? Ask Stacy now Call us		c Employer's name, address, and ZIP code				4 Social security tax withheld 1750		
	abc				5 Medicare wages and tips 35000	6 Medicare tax withheld 1050		
	LA	CA	5517	5	7 Social security tips	8 Allocated tips		
	d Control number			9	10 Dependent care benefits			
	e Employee's first name an	e Employee's first name and initial Last name Suff.			f. 11 Nonqualified plans	12a		
					13 Statutory Petirement Third-part sick pay	▼		
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	2) F. 1 (1) (1) (1) (1) (1) (1) (1) (1) (1)	f Employee's address and ZIP code 15 Sate Employer's state ID number 16 State wages, tips, etc. 17 State incom			me tax 18 Local wages, tips, etc.	19 Local income tax 20 Locality name		
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Department of the Treasury-Internal Revenue Service

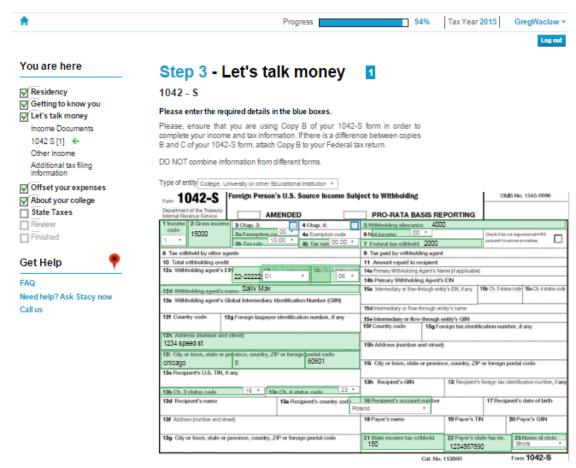
W-2 Wage and Tax Statement

www.sprintax.com

1042S







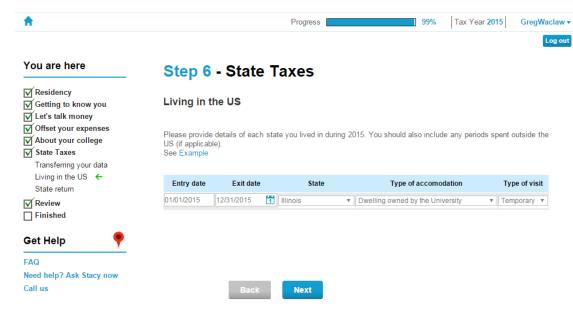
www.sprintax.com

State

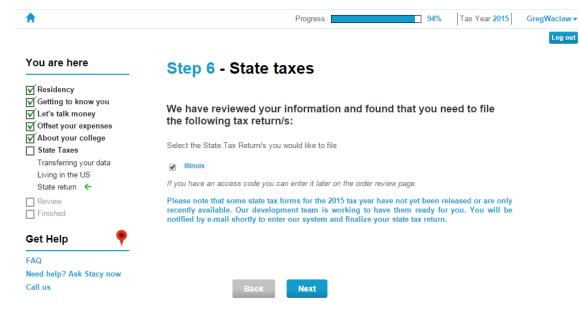


Log out









Checkout





You are here

Let's review your order

Recidency
Getting to know you
Let's talk money
Officet your expenses
About your oollege
State Taxes

Progress

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Log out

Log out

Let's review your order

Guaranteed 100% accurate

Includes: 1040 NR / 1040 NR EZ
Scholarship and followship grants

Get Help

Review Finished Review ←

FAQ

Need help? Ask Stacy now Call us

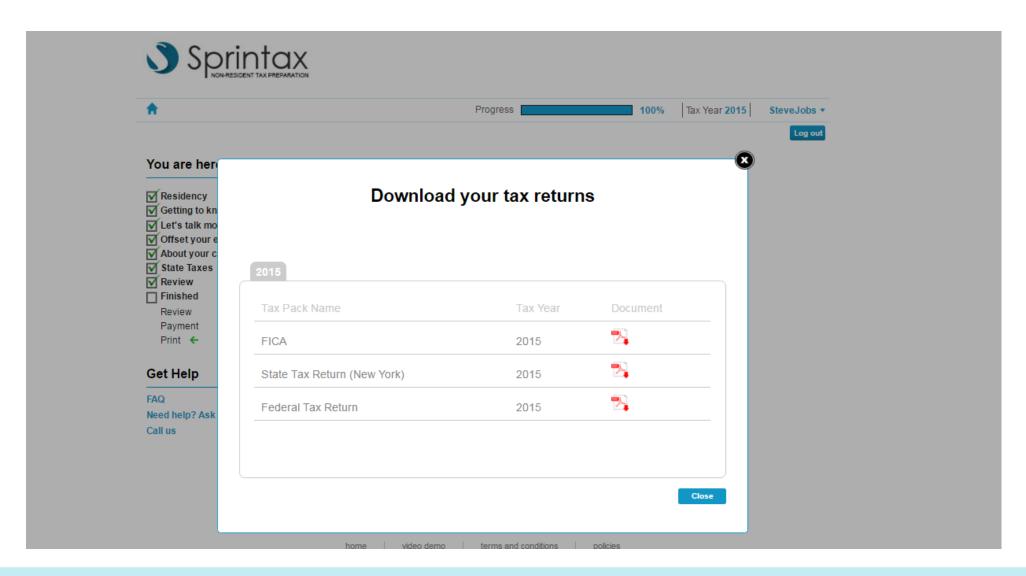
Federal Return	Employment income Tex Treaty exemptions	\$ 35.95
	(more)	Paid
	Includes: Tax credits Exemptions and deductions	
State Return	Data transferred from federal tax return.	\$ 25.95
		Paid
(Illinois)		
	Includes: Your ITIN application(s) might not be processed if there is no Federal tax return enclosed.	(1 x 15.95)
ITIN application(s)	(more)	\$ 15.95
		Paid
		1 414
Insert access code	If your international Student Office has given you a	
here	code to access Sprintax please enter it here.	Access code
		Validate

Total \$ 0.00

Note: An incorrect or missing identifying number (SSN/ITIN) on your tax return can increase your tax, reduce your refund, or delay your refund. Please, ensure that you have provided correct SSN or ITIN for you.

Download, review, sign and mail





Americas most wanted criminal





Al Capone

What did they eventually arrest him for?

Not reporting his TAXES!

Please do your taxes!





Questions?

Thank you!

