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# International Student Taxes

Disclaimer! International Engagement staff are NOT TAX Professionals or Certified Public Accountants. Any advice in this presentation is intended for information purposes only.



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# The Basics

- Taxes – What are they?
  - A financial charge imposed by a governing body upon a taxpayer in order to collect funds
  - Collected funds are used to carry out a variety of functions
  - There are many types of taxes
- Income Tax
  - A financial charge imposed on income earned by an individual or business
  - Income can be taxed at the local, state, and federal (i.e. national) level.
  - This presentation primarily focus on Federal Income Taxes
- Internal Revenue Services (IRS)
  - The unit of the U.S. federal government responsible for administering and enforcing tax laws
  - [www.irs.gov](http://www.irs.gov)
- Tax Year
  - January 01 – December 31
- Why should you care about taxes?
  - Paying income taxes and filing the appropriate paperwork with the IRS is **required by law** in the U.S.
  - Failure to comply can result in **serious immigration, financial, and legal consequences**

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# Income Tax Basics

- How are Income Taxes paid?
  - It is the taxpayers (you) responsibility to pay tax obligation to IRS
- Most common process:
  - Portion of your income is withheld from each paycheck throughout the year by your employer
  - Employer pays the withheld income to the IRS on your behalf during the year
  - Each year, you file tax return to summarize tax obligations and payments for the prior tax year
- What is a tax return?
  - A report that you file with the IRS in order to:
    - Calculate the amount of income tax you should have paid during the previous tax year
    - Declare the amount of income taxes you actually paid during the previous tax year
    - Summarize whether you paid the appropriate amount during the previous tax year
  - If you paid too much, you may be due a refund.
  - If you paid to little, you may owe the IRS some money.

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# Income Tax Basics

- What income can be taxed?
  - Employment
  - Assistantships and fellowships
  - Non-service scholarships/fellowships/grants that exceed tuition and fees
- How is my income tax amount determined? It's complicated!
  - The **amount withheld** from your income by your employer is determined by (1) your salary and (2) how you complete Form W-4.
  - The **amount you are required to pay** the IRS in income taxes during a given tax year is determined by how much you earn and how many tax credits, deductions and tax treaty benefits that may apply to you.

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# Tax Residency

- Residents vs. Nonresidents
  - U.S. tax law divides people into residents and nonresidents for **tax purposes**
  - Residency for taxes does not mean you are a resident for immigration purposes or for tuition purposes
  - Residency for tax purposes determined by “Substantial Presence Test”- a complicated calculation that considers how long you have been in the U.S. and in what status ([IRS Publication 519](#))
    - **Residents** for tax purposes follow the same rules as U.S. Citizens and are taxed on world-wide income.
    - **Nonresidents** for tax purposes follow different rules and are taxed on U. S. sourced income
- Nonresidents for tax purposes are NOT eligible for many of the tax benefits available to residents for tax purposes such as:
  - Filing a tax return online
  - Using the variety of software options advertised for tax filing assistance
  - Education credits
  - Earned income credit
  - Claiming dependents

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# Tax Residency

- Special tax residency policy for F-1/F-2/J-1/ J-2 students /dependents
  - Exempt from being subject to the Substantial Presence Test
    - Exempt from Substantial Presence test does not exempt you from paying taxes of filing tax forms/returns
  - Automatically categorized as nonresidents for a specified period of time
  - In general, F-1/F-2/J-1/J-2 student/dependent status < 5 years = nonresidents for tax purposes
  - In general, F-1/F-2/J-1/J-2 student/dependent status > 5 years = residents for tax purposes
- Nonresidents for tax purposes F-1/F-2/J-1/J-2 student/dependent status are required to file at least one tax form each year **EVEN IF YOU HAD NO INCOME!**
  - If you live in the U.S. for any length of time during a given tax year (even 1 day), you must file at least one tax form during the following year.
  - If you had no income, you will file Form 8843 only
    - Purpose
  - Using the variety of software options advertised for tax filing assistance
  - Education credits
  - Earned income credit
  - Claiming dependents

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# Who Must File a Tax Return?

- Special tax residency policy for F-1/F-2/J-1/J-2 students/dependents
  - Exempt from being subject to the Substantial Presence Test
  - Automatically categorized as nonresidents for a specified period of time
  - In general, F-1/F-2/J-1/J-2 students/dependents status <5 years = nonresidents for tax purposes
  - In general, F-1/F-2/J-1/J-2 students/dependents > 5years = residents for tax purposes
- Nonresidents for tax purposes in F-1/F-2/J-1/J-2 students/dependents are required to file at least one tax form each year EVEN IF YOU HAD NO INCOME!
  - If you live in the U.S. for any length of time during a given tax year (even 1 day!) you must file at least one tax form during the following year.
  - If you had no income, you will file Form 8843 only
    - Purpose of Form 8843: To verify that as a nonresident for tax purposes, you qualify for exempt days of presence and thus are not taxed as a resident.
    - Form 8843 is a tax STATEMENT, not a tax RETURN

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# 3 Categories of Tax Forms

- Those that you (the student) may complete and submit to the employer/school/bank during the tax year to assist with tax withholding
- Those that you (the student) may receive from the employer/school/bank during the tax return filing season with a summary of their prior year tax history
- Those that you (the student) may complete and submit to the IRS during the tax return filing process

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# Tax Forms

- **Tax forms that YOU may complete and submit to employer/school/bank during the tax year**
  - You may be asked to complete these forms. These forms are not required by everyone!
  - You do not submit these forms directly to the IRS
  - These forms are not part of the tax return filing process
- **Form W-4, Employee's Withholding Allowance Certificate:**
  - Completed by the employee and submitted to the employer so the employer can determine how much deferral income tax to withhold from the employee's pay during the tax year
  - This is one the first forms you will complete as a new employee
- **Form W-8, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Affidavit of Unchanged Status:**
  - Some banks require these forms for foreign national account holders
  - If your bank asks you to complete these forms, bring the forms along with your immigration documents in person to the bank so a personal banker can assist you.
- **Form W-9, Request for Student's or Borrower's Taxpayer Identification Number and Certification:**
  - Payroll Services at TAMIU may contact you regarding this form.
  - Should be completed and submitted to payroll services to provide your taxpayer identification number (i.e. SSN or ITIN)
  - Failure to reply could result in a \$50 penalty
  - Contact Payroll Services at 956.326.2375 if you have questions

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# Tax Forms

- **Tax Forms you may RECEIVE from employers/school/bank during the tax return filing season (January, February, March)**
  - You may receive some or all of these forms. These forms are not applicable for everyone?
  - If you receive a form, review it to make sure your information is accurate (i.e. name, SSN, etc.)
  - You do not have to complete anything on these forms but will use the information on them to complete your tax return.
  - Copies of these forms are submitted to the IRS as part of the tax return (if you receive them!).
- **Form W-2, Wage and Tax Statement:**
  - Summarizes total wages earned & amount of money withheld for any taxes during the tax year
  - Issued to you by your employer
  - Distributed no later than January 31<sup>st</sup>
- **Form 1042-S, Foreign Person's U.S. Source of Income Subject to Withholding:**
  - Documents taxable scholarship income or scholarship or employment income that is exempt from tax withholding due to a tax treaty.
  - Issued for you by your educational institution and/or employer.
  - Distributed no later than March 15<sup>th</sup>
- **Forms 1099, (1099-INT, 1099-DIV, 1099-MISC):**
  - Additional tax forms that may be issued to you by your bank and/or employer to show income from interest, dividends, or "independent contractor" income.
  - Bank account interest is not taxable for nonresidents for tax purposes
  - \*\*\*if you are employed in CPT, OPT and no income taxes were withheld from your paychecks, you will likely receive Form 1099- MISC AND you will likely have to pay the IRS money at the time you file your tax return!
- **Form 1098T, Tuition Statement:**
  - Issued by educational institutions (such as TAMU) to show the educational expenses for each tax year.
  - Nonresidents for tax purposes CANNOT use this form when filing your tax return but you should keep it for your records.

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# Tax Form

- Tax forms **you must complete** and **submit to the IRS** during tax return filing process
  - You will not complete all of the forms
  - You DO submit these forms directly to the IRS
  - These forms ARE part of the tax return filing process
- **Nonresidents for Tax Purposes:**
  - [Form 1040NR](#), U.S. Nonresident Alien Income Tax Return
  - [Form 1040NR-EZ](#), U.S. Income Tax Return for Certain Nonresident Aliens with no dependents
  - [Form 8843](#), Statement for Exempt individuals and individuals with a Medical Condition
    - Does not require an SSN or ITIN
    - If you are ONLY filing Form 8843 because you earned no taxable income, then technically you are filing a tax STATEMENT with the IRS and NOT a tax RETURN
- **Residents for Tax Purposes:**
  - [Form 1040](#), U.S. Individual Income Tax Return
  - [Form 1040EZ](#), Income Tax Return for Single and Joint Filers with No Dependents

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# Filing a Tax Return or Statement

- Tax forms for a given year are typically due to the IRS by April 15<sup>th</sup> of the following year, unless that day happens to be a holiday
- Include all tax forms issued by former and current former employer(s), bank(s), school(s) with tax return
  - Contact former employer(s), bank(s), school(s) to have tax forms sent to your current address
  - IRS does not consider moving to be a valid excuse for not filing a tax return properly.
- You must still comply with filing requirements event after graduating or leaving the U.S.
- Nonresidents for tax purposes and therefore most F-1/J-1 international students and their F-2/J-2 dependents:
  - Cannot file tax return electronically
  - Cannot file the same forms used by U.S. Citizens
  - Cannot utilize outside tax preparation services found in the community or online
  - DO have to file at least one tax form with the IRS regardless or whether they earned any income (i.e. Form 8843)
- Residents for tax purposes can utilize free software to file their tax returns:
  - <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>

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# How to File

- [GLACIER](#) serves the following purposes:
  - Confirm Nonresident Alien Tax Status
  - Review ALL income Tax Treaties for Exemptions
  - Review ALL eligible Deductions, Allowances, and Credits
  - Calculate TAX refund (or tax due)
  - Complete ALL Required Tax Documents, including ITIN Application
- Fee \$39.00
- Click on “*I NEED to Purchase an Access Code*”



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# How to File

- [Sprintax](#)
  - Determines an individual's tax residency status
  - Determines an individual's eligibility for tax treaty benefits
  - Generates the tax forms (1040NR, 1040NR-EZ, 8843) that apply to nonresidents for tax purposes.
  - Print the documents generated by Sprintax and mail them to the IRS to meet your tax filing requirement.
  - You may contact Sprintax directly with any questions about the system.
- Fee \$35.95
- Use promo code **TAMIU2017F5** to receive a \$5 discount



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# State Taxes

- Most U.S. States impose an income tax in addition to the federal income tax.
- The State of Texas does NOT have a state income tax.
- If you worked in another U.S. State, find out if there is a state income tax.
- If you are subject to state income taxes, you must file a state income tax return AND a federal tax return.
- All income earned from employment in any U.S. state should be reported on your federal income tax return, regardless of whether the state has a state income tax.
- State income taxes are NOT paid to the IRS but rather to the state government agency responsible for administering and enforcing the tax laws in that state.
- Sprintax will help you determine if you are required to file a State tax return. If you are, Sprintax will help you generate the correct State tax return forms. Please note: You will be required to pay a small fee at your own expense to use Sprintax for State tax returns.
- State tax websites: <http://www.taxadmin.org/state-tax-forms>

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# Tax Treaties

- Many countries have tax treaties (i.e. agreements) with the U.S. government
- The terms of each treaty varies
- Treaty may grant tax benefits to foreign nationals residing in the U.S.
- GLACIER & Sprintax both determine eligibility for tax treaty benefits
- Example: Most nonresidents for tax purposes cannot 'claim dependents' on their tax return. Citizens of Canada, India, Mexico and South Korea can do so because of their tax treaties. Financially beneficial!

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# Individual Taxpayer Identification Numbers (ITINs)

- What is an ITIN?
  - A tax processing number issued by the IRS to nonresidents for tax purposes who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain, a Social Security Number (SSN).
  - An ITIN is NOT required for any individual who has an SSN
- Who needs an ITIN?
  - Nonresidents for tax purposes who are required to file a U.S. tax return but who do not have and are not eligible for an SSN.
- Need an ITIN? Apply now!
  - Waiting to apply for an ITIN may delay processing of your federal tax return.

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# Individual Taxpayer Identification Numbers (ITINs)

- Form W-7 is required to apply for an ITIN
  - Automatically generated by Sprintax if needed
  - Sprintax can assist you with the ITIN application process for a small fee. You can also seek assistance through one of the avenues described below.
- If you and/or your dependent(s) need an ITIN, see below:
  - You can file your ITIN application and tax return at the same time
- Apply by mail\*
  - Either mail the original passport for each ITIN applicant (NOT RECOMMENDED) or obtain an official passport copy certified by the ITIN applicant's home country government
  - A notarized copy of the passport is NOT sufficient
  - An official, certified passport copy may be obtained from your country's Embassy in the U.S.
  - You can file your ITIN application and tax return at the same time
- At this time, if you choose to use Sprintax to generate the ITIN paperwork for you, you will essentially be following this procedure of applying by mail and will need to obtain a certified copy of your passport in order to apply

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# Assistance with Sprintax

- Sprintax Online Chat System
  - If you have a question at any time while you are using Sprintax, click on “Need help? Ask Stacy now” for online assistance with a tax professional.
- You may also call or email Sprintax directly:
  - +1-866-601-5695
  - [hello@sprintax.com](mailto:hello@sprintax.com)

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# Tax Resources

Visit the IRS website (<http://www.irs.gov/>)  
for official information



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