

# Income Tax Filing Guide for International Students & Scholars

## TAX YEAR 2015 INFORMATION

### INTRODUCTION

The Internal Revenue Service (IRS) is the United States government agency responsible for the collection of federal income taxes. All non-immigrants in F or J status (both the principal and all dependents) are required to file an individual income “tax return” if they were physically present in the U.S. during the tax year, even if they had no U.S. source income of any kind. Please be aware that there are penalties for failure to file a tax return.

Tax law in the United States is extremely complex and each individual's situation varies. It is the responsibility of each international student and visiting scholar at Pace University to understand his or her own tax situation. **The information provided here is intended only to give you a general sense of taxpaying requirements and should not be considered financial or legal advice.** Please consult the resources listed below or your own tax or financial advisor with any questions. **Due to legal restrictions, the staff of the International Students and Scholars Office (ISSO) is *not* able to advise on tax issues, answer individual tax questions, or prepare tax forms for individual students or scholars.**

### DATES FOR FILING RETURNS

April 15 – This is the last day to file a federal tax return if you are a resident or nonresident *with* U.S. source income. Therefore, tax returns for tax year 2015 must be postmarked on or before April 15, 2016.

April 15 – This is the last day to file Form 8843 (Statement for Exempt Individuals...) for nonresidents and their dependents without any U.S. source income. The Form 8843 “informational return” for tax year 2015 must be postmarked on or before April 15, 2016.

Please note that the tax year in the United States runs from January 1 to December 31 and you must file your tax return each spring for the preceding tax year. Therefore, you will need to file your tax return for tax year 2015 by April 15, 2016. Before mailing, make sure to photocopy your federal and state tax return and all accompanying documentation for your records. It is recommended that you maintain your tax records for at least three (3) years. If you entered the U.S. in F-1 or J-1 status for the very first time in January 2015 or later, you do *not* need to file a tax return until next year.

### TAX FORMS & PUBLICATIONS

Current tax forms, instructions and various other tax publications are available from the Internal Revenue Service web site, at Internal Revenue Service locations, or by calling their toll free forms line (see below). During tax season (February through April), some forms are also available at the International Students and Scholars Office, and at most post offices, libraries and some banks.

The following federal and state forms and publications are most frequently used by international students and scholars:

- Form 1040NR – U.S. Nonresident Alien Income Tax Return & Form 1040NR Instructions
- Form 1040NR-EZ – U.S. Income Tax Return for Certain Nonresident Aliens with No Dependents &

Form 1040NR-EZ Instructions  
 Form 8843 – Statement for Exempt Individuals  
 New York State Forms IT-203 and IT-203-ATT

## **TAX RESOURCES & ASSISTANCE**

The government offices below can provide you with the necessary tax forms and publications, and may also be able to answer your tax questions:

Internal Revenue Service  
<http://www.irs.gov>  
 Phone: 1-800-829-1040 [for tax information]  
 Phone: 1-800-829-3676 [for tax forms and publications]

New York State Department of Taxation and Finance  
<http://www.tax.ny.gov/>  
 Phone: 1-800-462-8100 [for tax forms and publications]  
 Phone: 1-800-225-5829 [for tax information]

New Jersey State Tax Department  
<http://www.state.nj.us/treasury/taxation/>  
 Phone: (609) 292-6400 [for tax forms and publications]

The IRS has created a page on IRS.gov for information about Form 8843 and its instructions, at [www.irs.gov/form8843](http://www.irs.gov/form8843)

Information about any recent developments affecting Form 8843 will be posted on that page.

It is also possible, to seek advice from professional tax preparers or accountants, all of whom will charge fees for their services. However, only a small number of tax specialists are familiar with the tax issues particular to international students. Be sure to identify yourself as a Pace University international student or scholar and ask for someone experienced in nonresident taxation. Also be sure to find out ahead of time what fee will be charged. You may want to ask your friends, fellow students, or acquaintances for recommendations.

Although the International Students and Scholars Office does not endorse any particular firm or accountant, others have successfully used the accounting firm of H&R Block. A few locations that handle nonresident tax returns are listed below, or you may check their web site for other offices throughout the area.

### **NYC**

#### **H&R Block**

360 West 31<sup>st</sup> Street, Suite 901  
 [Between 8<sup>th</sup> & 9<sup>th</sup> Avenues]  
 New York, NY 10001  
 Tel: (212) 268-5751  
 Fax: (212) 268-2178

#### **H&R Block**

116 West 72<sup>nd</sup> Street  
 New York, NY 10023  
 Tel: (212) 799-2134

**H&R Block**

30 Broad Street  
New York, NY 10004  
Tel: (212) 785-1216

**H&R Block**

21 Penn Plaza  
[Corner of 31<sup>st</sup> St. & 9<sup>th</sup> Ave.]  
New York, NY 10001  
Tel: (212) 643-1689

**H&R Block**

West 37<sup>th</sup> Street  
New York, NY 10018  
Tel: (646) 473-0481 (By appointment ONLY)

**WESTCHESTER****H&R Block**

50 Main Street  
White Plains, NY 10601  
Tel: (914) 428-1747

**H&R Block**

7A South Broadway  
Tarrytown, NY 10591  
Tel: (914) 366-4238

[http://www.hrblock.com/universal/office\\_locator.html](http://www.hrblock.com/universal/office_locator.html)

**WHERE TO SEND YOUR TAX FORMS**

Federal Forms (8843 and 1040NR or 1040NR-EZ):	Department of the Treasury Internal Revenue Service Austin, Texas 73301-0215
New York State Forms (IT-203 and IT-203-ATT):	State Processing Center PO Box 61000 Albany, NY 12261-0001

**SOCIAL SECURITY NUMBERS**

A Social Security number (SSN) is a taxpayer identification number issued by the branch of the U.S. government that takes care of old-age pensions, called the Social Security Administration. A Social Security Number does *not* represent permission to work and is *not* proof of U.S. citizenship or permanent residence. International students and scholars have restrictions on applying for an SSN and should consult with an International Student advisor in the ISSO on how to apply.

Individuals who are legally paid in the U.S. must have an SSN in order for their employer to report income to the IRS and for the individual to file an U.S. income tax return. Individuals who are not paid in the U.S. but are in a visa status that permits certain types of employment (i.e. J-1, J-2), should also obtain an SSN. Once obtained, that SSN is valid for a person's entire life and therefore may be used during subsequent visits to the U.S.

To obtain an SSN, you must apply in person at a local Social Security Administration office. Applications require that you show all original visa documentation including your passport, I-94 card, and Form I-20 or DS-2019, as well as proof of a job offer or secured employment. It currently takes anywhere from one to three weeks from the date of application for you to receive your Social Security card via mail.

### **ITIN: INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS**

The IRS has developed a substitute for individuals who are not eligible to obtain a Social Security Number, known as the Individual Taxpayer Identification Number (ITIN). If you or your dependents in the U.S. do not qualify for a Social Security number (F-2s or H-4s, for example), you must apply to the IRS in person for an ITIN (using the application Form W-7). An ITIN or SSN is needed to file U.S. and state income tax forms.

Do *not* apply for an ITIN if you have an SSN or are eligible for an SSN. If you obtain an ITIN and are subsequently granted work authorization, you will need to apply for an SSN. Use the SSN on all future tax returns, and notify the IRS so they can “retire” your ITIN. Please note that an ITIN does *not* represent permission to work and is *not* proof of U.S. citizenship or permanent residence.

H&R Block (listed on the previous page) is also able to assist you in obtaining an ITIN. Individuals must bring original identification with them at the time of application, including one photo ID and one other original document.

### **SUMMARY OF TAX OBLIGATIONS**

All "F" and "J" visa holders (students, short-term scholars, professors, researchers, trainees, etc.), are considered nonresident aliens for U.S. federal tax purposes for an initial period of time ranging from 2-5 years. These individuals must file a 1040NR or 1040NR-EZ federal tax return if they have U.S. income subject to tax. Effective for 1997 and later tax years, nonresident alien students and trainees who are temporarily in the U.S. under an "F", "J", "M", or "Q" visa and who have no income subject to U.S. tax, do not have to file Form 1040NR or 1040NR-EZ. However, they must still file Form 8843.

International students and scholars who are studying, teaching or engaged in research activities in the United States are subject to federal and state income taxation. Some visa holders are also subject to the federal Social Security tax (FICA) on wages earned by themselves or their family members. The following is a general summary of the basic rules applicable to the typical international student or scholar.

***Please Note: It is important to remember that each individual's tax liability is unique and thus should be analyzed individually. Keep in mind that your friend's case may be very different from your own!***

### **Federal Income Tax Requirements:**

The U.S. tax treatment of international students and scholars and their families depends on their status as residents or nonresidents (for tax purposes) and the type of income they receive. In some circumstances, country of origin may also play a part.

#### ***A. Determining Resident Status***

A student entering the U.S. in F or J visa status is automatically considered to be a “nonresident alien for tax purposes.” A student present in the U.S. in F-1 or J-1 visa status will be considered a nonresident alien for the first five (5) tax years he/she is here. **At the end of five tax years, the status changes to “resident alien for**

**tax purposes,”** if the student meets the substantial presence test (see below) in the sixth tax year. Please note that you will *not* be notified of this change in your tax status; you must keep track of it yourself. If you wish to retain the nonresident alien status for tax purposes, you must apply to the IRS for ongoing exemption.

A visiting scholar in J-1 visa status other than students (i.e. professor, researcher, short-term scholar, etc.) will generally be considered a “**nonresident alien for tax purposes” for only two (2) tax years. At the end of two tax years, he/she becomes a “resident alien for tax purposes,”** if the substantial presence test (see below) is met in the third tax year.

As a general rule, all persons, including H-1 visa holders, who are physically present in the United States for more than 183 days (counting all days in current year and a percentage of days in the preceding two years) are presumed to be resident aliens for tax purposes. This is described as the "substantial presence test " in IRS **Publication #519 – U.S. Tax Guide for Aliens**. Exceptions to this rule are noted above. Persons entering the U.S. on a permanent resident/immigrant visa are “resident aliens for tax purposes” upon arrival.

Please note that a tax year is a calendar year (from January 1 - December 31), not a 12-month period. Therefore, if an international student entered the United States to begin his studies on September 2014, then 2014 is the first tax year and 2015 is the second tax year. There are provisions for dual status years, most commonly the year of arrival and the year of departure. These tax rules are somewhat complex and are discussed in IRS Publication #519 – U.S. Tax Guide for Aliens.

Please Note: A resident alien for tax purposes is *not* the same as a resident alien in immigration terms. A resident alien in immigration terms means that you have a “green card” and are a permanent resident of the United States. A resident alien for tax purposes means only that you are taxed on the same basis as American citizens, rather than on the basis of being a temporary, short-term alien.

### ***B. Taxation of Nonresident Aliens***

Nonresident aliens for tax purposes file a tax return on Form 1040NR or 1040NR-EZ and are taxed only on U.S. source income, not on income earned in other countries. More precisely, they are taxed at graduated rates on income considered to be "effectively connected with a U.S. trade or business." Examples of "effectively connected income" are wages and salary, compensation for personal services, taxable fellowship or scholarship grants, and rent (if proper election is made). All students and scholars are automatically considered to be effectively connected with an U.S. trade or business for tax purposes.

However, persons filing as nonresident aliens may not take U.S. standard deductions nor claim their spouse and/or children as dependents (except for Canada, India, Japan, Mexico, and in some cases South Korea). Nonresident aliens may claim only one personal deduction, which equals \$3,950 for tax year 2014 (the dollar amount of the personal exemption is subject to change annually).

Other U.S. source income which is not effectively connected with an U.S. trade or business is generally taxed at the 30% or lower treaty withholding rate. Examples include investment income, annuities, and rental income (unless treated as effectively connected). **Interest earned by non-resident aliens from an U.S. bank account is normally not taxable.**

### ***C. Taxation of Resident Aliens***

Resident aliens for tax purposes file a tax return on Form 1040, 1040A or 1040EZ and are taxed just like U.S. citizens. This means that all income is taxed, including income from other countries. Residents generally may take the same exemptions and deductions that U.S. citizens take, but they may not take advantage of tax treaty benefits in most cases.

### ***D. Filing Returns***

All "F" and "J" visa holders who are exempt from counting days under the substantial presence test (that is, during the first five tax years for students and first two years for scholars), must file a Form 8843 "Statement for Exempt Individuals." Those not required to file a Form 1040NR or 1040NR-EZ must complete and sign Form 8843 and mail it separately to the Internal Revenue Service (IRS). This is considered to be an "informational tax return" and all nonresidents in F and J status with no U.S. source income must file this form by April 15. All F-2 and J-2 dependents must also file Form 8843 (a separate form for each dependent) even if there has been no income generated during the tax year.

All nonresidents in F and J status who have U.S. source income subject to withholding must file an annual tax return any time after January 1 and before April 15. Those required to file a tax return should use form 1040NR or 1040NR-EZ and must attach Form 8843 to the return being filed.

Please remember that any portion of a Pace University scholarship or assistantship beyond the cost of tuition, required fees and books is considered taxable income unless it is exempted by a tax treaty. All income, including income exempt from taxation by a tax treaty, must be declared on your tax return.

**Obtaining Refunds:** In many cases, international students and scholars will be due a tax refund. The United States, like all countries with a modern tax administration, requires employers to withhold taxes on wages earned by employees. The amounts withheld often exceed the amount of tax due, especially for persons working only a portion of each year. At the end of each tax year, the employer gives each employee a Form W-2 stating the amount of tax withheld from wages during the year, or a Form 1042S stating the amount of taxes withheld from scholarship income. The W-2 and/or the 1042S are submitted with the tax return. If the amount withheld during the year exceeds the tax liability, the IRS will send a refund check for the balance.

**Paying Taxes:** It might turn out, however, that additional taxes are owed to the U.S. government. This may be especially true for those filing as nonresident aliens on the 1040NR. Since nonresident aliens can usually claim only one personal exemption (even if filing as "married, filing separately") and must list deductions separately (i.e., cannot use the standard deduction), they may not receive all of the tax benefits or credits a resident could claim. As such, this increases the amount of taxes owed. If sufficient taxes were not withheld during the tax year, additional taxes would have to be paid. It is very important to pay this amount by the April 15 deadline, since late payments incur interest and penalties.

**Reminder:** Make sure to keep a photocopy of your federal and state tax return and all accompanying documentation. It is recommended that you maintain your tax records for at least three (3) years.

### ***E. Audit***

Tax returns will be subject to mathematical verification by an IRS computer. If the deductions or exemptions claimed appear irregular, the return may be selected for audit by IRS review agents. A person filing a false return, whether fraudulently or in error, is subject to fines and, in severe cases, to criminal prosecution. Aliens filing a false return may lose their visa and may be precluded from remaining in or returning to the U.S.

### **Tax Exempt Income:**

There are three types of income for a student or scholar that may not be fully taxed, as listed below.

#### ***A. Scholarships, Grants and Fellowships***

Under U.S. law, genuine scholarships, grants or fellowships up to certain limits are not taxable to the recipient (See IRS Publication #520 - Scholarships and Fellowships). A scholarship is an amount paid for the benefit of an individual to aid that person in pursuing studies or research at an educational institution. **Qualified scholarship amounts (tuition, fees, books) are not subject to federal income tax, state income tax, or Social Security tax.** The award cannot be paid principally for the benefit of the grantor and thus cannot require teaching of classes, laboratory research activities, or any assigned work as a condition of the award. Therefore, **teaching and research assistantships at Pace University are not considered scholarships and are subject to tax.**

### *B. Tax Treaties*

Tax treaties are complicated, and their provisions differ in small but important details. The mere existence of a tax treaty does not mean that each individual student or scholar is covered by its provisions. It is your responsibility to read the treaty that pertains to your country to learn if you are covered. For more information, see **IRS Publication #901 – U.S. Tax Treaties** (or IRS Publication #597 if you are Canadian), or seek professional guidance from a tax expert.

Many tax treaties provide exemptions from U.S. income tax for individuals who teach or engage in research in the U.S., and some students are exempt as well. However, certain treaties stipulate that if the individual's two-year exemption period is exceeded, the entire exemption is lost retroactively. **Students and scholars who believe that their income is exempt from taxation (and therefore from withholding) must file a Form 8233 with the payroll office of their employer in order to qualify for exemption from withholding. For more information, see IRS Publication #515 - Withholding of Tax on Nonresident Aliens and Foreign Corporations.**

### *C. Minimum Tax Liability*

Individuals who have received taxable income of less than \$6,200 for tax year 2014 may not have to pay tax but must file a tax return anyway. Please be aware that employers, including Pace University, are required to report to the government the amount of wages paid and taxes withheld, as well as any scholarships given. The same information will be reported to the employee, student or scholar on a Form W-2 and/or Form 1042S. The IRS computer will seek a matching tax return. Therefore, **all foreign students and scholars for whom a W-2 and/or 1042S form has been issued must file a tax return by April 15, 2015**, whether or not they owe additional taxes.

### Social Security Tax:

The United States, like many other countries, imposes a payroll tax to pay for old-age pensions and certain medical benefits. Most wages, up to a federally established ceiling, are subject to tax. No exemptions or deductions are allowed. The tax is popularly known as the "Social Security tax," but its technical name is the Federal Insurance Contributions Act tax, or "FICA." Individuals employed in the United States must pay this FICA tax, which includes the Social Security and Medicare taxes. All U.S. employers automatically withhold this tax from their employees' paychecks and are required to pay a matching amount to the government.

**As an international student or visiting scholar in F or J visa status, you are exempt from Social Security tax and should *not* have FICA taxes withheld from your pay if:**

- You are considered a nonresident for U.S income tax purposes (see above)
- Your income is earned in connection with the objectives for which you were admitted to the U.S.
- You have received official employment authorization from the International Students and Scholars Office at Pace University or from the U.S. Citizenship and Immigration Services

It is your responsibility to advise your employer if the above mentioned exemptions apply to you. Any Social Security tax paid in error should be refunded to you in the calendar year it has been erroneously removed. Please note that members of a student's or scholar's family (i.e., J-2 visa holders) and H-1 visa holders are *not* exempt from Social Security tax and are therefore subject to FICA withholding. Please see IRS Publication #519 for details.

**New York State Income Tax Requirements:**

If you did not work in New York during year 2014, you do not have to file a New York State tax return. If you did work, however, you may have to file a state tax return. Filing requirements vary depending upon the amount of income earned. Please see the NYS Form IT-203 Instructions for details. Please note that if you are filing a federal tax return as a nonresident, then New York State also considers you to be a nonresident for tax purposes and you may be exempt from paying certain state taxes (such as the City of New York tax).

**New Jersey & Connecticut State Income Tax Requirements:**

If you lived and/or worked in New Jersey or Connecticut during the year 2014, you may also have to file a state tax return in that state. Filing requirements vary depending upon the amount of income earned. Please see the relevant state publications for more information.