


ARCTIC INTERNATIONAL LLC

○ ○ ○ **Nonresident Alien Tax Compliance**
A Clearer View



Nonresident Alien Tax Responsibilities – The Basics
 October 26, 2011
 NAFSA Region III

www.arcticintl.com

Nonresident Alien Tax Compliance

The Legal Stuff . . .

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The information contained in these slides is general in nature and cannot be relied upon to address a specific situation.

Please consult your tax advisor.


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Nonresident Alien Tax Compliance

Immigration Versus Tax

Immigration Terminology and Concepts



Tax Terminology and Concepts

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Nonresident Alien Tax Compliance	<h3><u>An Overview of the U.S. Tax System</u></h3>
	<div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> <p style="text-align: center; margin: 0;">Residency Status</p> <ul style="list-style-type: none"> • U.S. Citizen/U.S. Company • Lawful Permanent Resident • Resident Alien for Tax Purposes </div> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> <ul style="list-style-type: none"> • Nonresident Alien for Tax Purposes </div> <p style="text-align: center; font-size: small; margin-top: 20px;">© Arctic International LLC 2011. All Rights Reserved</p>

Nonresident Alien Tax Compliance	<h3><u>Substantial Presence Test</u></h3>
	<p>The term "Exempt Individual" is a confusing term that refers ONLY to the calculation of the substantial presence test.</p> <p>The term "Exempt Individual" DOES NOT refer to an individual who is exempt from paying federal or FICA tax or from filing a U.S. income tax return.</p> <p style="text-align: center; font-size: small; margin-top: 20px;">© Arctic International LLC 2011. All Rights Reserved</p>

Nonresident Alien Tax Compliance	<h3><u>"Exempt Individuals"</u></h3>
	<p>"Exempt Individuals" are generally nonresident aliens for tax purposes because no days are counted while:</p> <ul style="list-style-type: none"> • F, J, M or Q Student (for first FIVE Calendar Years) • J or Q Non-Student (for first TWO of CURRENT and Past SIX Calendar Years) <p style="text-align: center; font-size: small; margin-top: 20px;">© Arctic International LLC 2011. All Rights Reserved</p>

Nonresident Alien Tax Compliance	<p>What Is / Should Be the Tax Responsibility of the International Student and Scholar Office?</p> <p><small>© Arctic International LLC 2011. All Rights Reserved</small></p>
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Nonresident Alien Tax Compliance	<p>Institution's Responsibility vs Individual's Responsibility</p> <p><small>© Arctic International LLC 2011. All Rights Reserved</small></p>
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Nonresident Alien Tax Compliance	<ul style="list-style-type: none"> • Education • Information • Just the Facts! <ul style="list-style-type: none"> - not Opinion - not Guidance - not Actual Tax Return Preparation (<i>Unless VITA</i>) • Awareness of Institution's Tax Requirements re tax withholding and reporting <p><small>© Arctic International LLC 2011. All Rights Reserved</small></p>
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Nonresident Alien Tax Compliance	<u>What Are the Basic Facts?</u>
	<p>All Nonresident Aliens who receive income from U.S. sources are required to file a U.S. income tax return (with few exceptions)</p> <p>All Nonresident Aliens who are or were present in the U.S. during the tax year under an F, J, M or Q immigration status are required to file Form 8843</p> <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>U.S. Tax Return Filing Requirements</u>
	<ul style="list-style-type: none"> • Nonresident Aliens who receive income are required to file either Form 1040NR or Form 1040NR-EZ * • Resident Aliens, Permanent Resident Aliens and U.S. Citizens who receive income are required to file either Form 1040, Form 1040EZ, or Form 1040A • Resident Aliens who are eligible to claim an income tax treaty exemption must file Form 1040 with Page 5 of Form 1040NR attached. <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Form 8843</u>
	<p>Who Must File:</p> <ul style="list-style-type: none"> • Must be filed by ALL F, J, M, Q immigration status, including "-2" (spouse and dependents") • Filed even if no U.S. source income • Attach to Form 1040NR / 1040NR-EZ, if filed • No SSN / ITIN necessary if no tax return filed <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Income Tax Treaty Exemption</u>
	<p>The existence of an income tax treaty does not mean an individual will automatically qualify for exemption from taxation.</p> <p>The individual must meet the qualifications set forth in the treaty and complete all applicable income tax treaty exemption forms.</p> <p style="text-align: center;"><small>© Arctic International LLC 2006. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Tax Treaty Exemptions</u>
	<ul style="list-style-type: none"> • Tax treaty exemptions may eliminate or reduce tax on income • Examples of exclusions: <ul style="list-style-type: none"> – Scholarships/fellowships (income code 15) – Compensation while working as a student/OPT/CPT (income code 19) – Compensation while working in a teaching or research capacity (income code 18) – Compensation as employee from Canada (income code 17) <p style="text-align: center;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>What Statements Should Be Received?</u>
	<p>Form 1042-S</p> <ul style="list-style-type: none"> • IF Employee with Tax Treaty Exemption • IF Non-service Fellowship (<i>Taxable or Treaty Exempt</i>) <p>Form W-2</p> <ul style="list-style-type: none"> • IF Employee with No Tax Treaty Exemption or Over Time/Dollar Limit <p>Form 1099 MISC? Form 1099 INT?</p> <p style="text-align: center;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>General Reporting Rule</u>
	<p>What About Form 1098-T?</p> <p>Form 1098-T is an Information Statement Only – is has nothing to do with income!</p> <p><input checked="" type="checkbox"/> Nonresident Aliens should NEVER Receive Form 1098-T</p> <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Tax Return Filing Issues</u>
	<ul style="list-style-type: none"> • A Nonresident alien may not file a tax return without an SSN or ITIN. • IF the person does not have, or has not yet applied for, such a number, he or she must apply for an ITIN in connection with tax return filing using Form W-7. The ITIN is assigned first, thus allowing the acceptance of the tax return. • Forms 1040NR and 1040NR-EZ are due by April 15 (or June 15 if ONLY N/S S/F) • ALL Forms 1040NR and 1040NR-EZ go to Austin, TX – regardless of where the person lives. <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Other Important Issues</u>
	<ul style="list-style-type: none"> • Students From India • Child Tax Credit • Making Work Pay Credit (EXPIRED) • Filing the wrong tax return • Filing too early – WAIT FOR INSTITUITON TO RELEASE FORMS 1042-S <p style="text-align: right;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Other Important Issues</u>
	<ul style="list-style-type: none"> • Nonresident Alien Tax Returns may not be filed electronically – it is not currently allowed • If possible, do not submit a hand-written return. • Each individual must put tax return in separate envelope • File ON TIME! • SIGN the tax return and make a copy AFTER signing • Keep a copy for FOUR calendar years after filing • IF paying additional tax, send certified, return-receipted • IF the IRS sends a letter, RESPOND timely! Do not ignore. • IF the refund is not received, CHECK ON IT – the IRS must give a reason or provide the refund. <p style="text-align: center;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>Resident Aliens for Tax Purposes</u>
	<p>Claiming Treaty Exemptions:</p> <ul style="list-style-type: none"> • File Form 1040 • Include treaty exempt income on the appropriate line • Make a negative adjustment for the treaty amount on "Other Income" line • Write "Exempt Income" and give treaty country and article on dotted line or attachment • File your tax return: Internal Revenue Service Austin, TX 73301-0215 <i>Regardless of where you live!</i> <p style="text-align: center;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

Nonresident Alien Tax Compliance	<u>GLACIER Tax Prep</u>
	<p>GLACIER Tax Prep is:</p> <ul style="list-style-type: none"> • Used to complete Forms 1040NR, 1040NR-EZ and all other applicable forms necessary to fulfill a Nonresident Alien's Federal tax responsibilities • Available online 24 hours a day, 7 days a week from any web-enabled computer any where in the world • Easy to use and simple to understand • Retrieve information from prior year's filings • Full online support for any question that may arise • If interested, go to www.arcticintl.com <p style="text-align: center;"><small>© Arctic International LLC 2011. All Rights Reserved</small></p>

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