
What YOU need to know about U.S. income taxes

— University of Central Arkansas —
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Basic Rules of U.S. Taxation

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- **U.S. income is subject to U.S. taxes**
- **Calculation of tax is based on residency status**
 - Resident alien
 - Nonresident alien

Basic Rules of U.S. Taxation

Residency for federal tax purposes is not the same as:

- Immigration residency
- Residency requirements for earning a degree, etc.
- Residency requirements for state taxes

Basic Rules of U.S. Taxation

Resident

Form 1040

World-wide income included

Many deductions and credits available

Qualifies for EIP “stimulus” payments

Nonresident

Form 1040NR

Only U.S.-source income included

Few deductions and credits available

Does not qualify for EIP “stimulus” payments

Basic Rules of U.S. Taxation

Citizens of some countries benefit from tax treaties:

- Canada
- Mexico
- India
- Republic of Korea (S. Korea)
- Others...

How do I know my residency status?



Residency Status

Based on immigration status and length of stay

Most foreign students and scholars are *nonresidents* because they are *exempt* from counting days in U.S.

Students (F, J, M, Q visa): Up to 5 years

Teacher/Trainee (J or Q visa): Up to 2 years

Residency Status

You can't just choose!

***Exceptions:** Nonresidents married to U.S. citizens/residents,
Students and trainees from Barbados, Hungary, or Jamaica

Residency Status

Tests use the following information:

- Current and previous visa status (at least 6 years)
- Number of days in U.S. (each of past 3 years)
- Are you a full-time student?
- Have you applied for/received permanent residency?

How do I know if I need to file?

Who files?

- **Any nonresident with U.S.-source income,** even if income is excluded by tax treaty
- In the U.S., it is the **individual's** responsibility to know what forms must be filed!
- **Even if tax was withheld, a return must be filed!**

Who files?

Filing a tax return is *not required* if income only from:

- Foreign sources
- Interest income from a United States banking institution
- A scholarship or fellowship that is entirely tax-free (i.e. used for qualifying educational expenses)

Who files?

Foreign students, scholars, and trainees who are *exempt* from counting days of presence must file **Form 8843**

- Even if no income/not filing tax return
- Spouse and children also need to file

What happens if I don't file?

What if I don't file?

If no taxes are owed, there is no IRS late filing penalty.

However, nonimmigrant alien status requires that the individual not violate *any* U.S. laws, including tax laws.

Failure to file may have consequences on a student/scholar's current or future immigration status.

What income do I need to pay tax on?



Income

U.S.-source income:

- Wages (on- or off-campus job)
- Taxable scholarships
- Investment income (other than interest)
- Business income
- Other income (prizes, awards, gambling, etc.)

Income

Reporting Forms:

- Form W-2
- Form 1042-S
- Form 1099
- Personal records of cash payments

Can I qualify for tax credits?

Tax Credits

Nonresidents generally do not qualify for tax credits

- **NO education credits (i.e. cannot use Form 1098-T)**
- NO Earned Income Tax Credit
- Limited credits for children and child care expenses

Tax Credits

Nonresidents ***do not qualify*** for Economic Impact Payments (EIP) or Recovery Rebate Credit

If you filed incorrectly in 2019 or 2020 and received EIP “stimulus” payments, they MUST be repaid to the IRS!

Tax Credits

Taxable income only reduced by:

- Income taxes already paid to U.S. state or foreign country
- Contributions to U.S. charities
- Interest paid on student loans

Special rules apply for students/trainees from India

Can I include my family members?

Family Members

Married nonresidents generally cannot file a joint return

- If both spouses had U.S. income, each files own return
- Filing status is **Married**, even if spouse lives abroad

Family Members

Nonresident children are generally not included on return

Child who is a U.S. resident/citizen is included (e.g. born here)

Special rules apply for residents of Canada, Mexico, Republic of Korea (S. Korea), and India

Family Members

Nonresident spouse or children living in the U.S. should file **Form 8843** if they are also *exempt* from counting days of presence

Each exempt person must file their own form

What about state taxes?



State Taxes

Income tax treaties do not cover state income taxes.

All wages, taxable scholarship, etc., need to be reported on Arkansas return

Residency based on whether taxpayer maintained a place of residence in the state for a full or part year

Where can I get help with my taxes?



Taxes: Where?

Get free help here at UCA!



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Taxes: Where?

IRS-certified volunteers will provide free tax help for any foreign students, scholars, teachers or trainees

March 28-April 28, 2022

UCA workshops

Mondays, 6pm or 7:30pm

Thursdays, 1pm

COB 209 Conference Room

March 26 or April 9, 2022

Virtual workshops

Saturday 1-3pm

Via Google Meet

Taxes: Where?

Advance registration required for all workshops

Watch your email for registration link!

Special situations, such as prior year return filing or ITIN application, will require additional assistance. Contact info@arkansasassetbuilders.org for more information.

Taxes: Where?

Do It Yourself

Paper/online forms, Paid software products (e.g. TurboTax), IRS Free File

UCA offers access to **Sprintax** (free access to federal forms, pay for state filing)

Taxes: Where?

Paid Preparers

Liberty Tax, H&R Block, CPAs, etc.

May cost \$\$\$!

Most preparers do not have special training on tax law for nonresidents

Questions?

Next Steps

- ❑ Watch for tax documents in the mail (Form W-2, 1042-S)
- ❑ Sign up for a tax help workshop
- ❑ Volunteer to help others file ([training March 5](#))
- ❑ Tell others about free tax help at UCA!



Thank you!