



INTERNATIONAL STUDENT TAXES

Information compiled by the SHSU Office of
International Programs

Spring 2020

**I HAVE NO
IDEA HOW TAXES WORK**

**AT THIS POINT I'M
TOO AFRAID TO ASK**



**AMERICA IS THE
LAND OF OPPORTUNITY**

EVERYONE CAN BECOME A TAXPAYER

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Disclaimers!



- Disclaimer #1: OIP staff members are NOT Tax Professionals or Certified Public Accountants. ANY ADVICE IN THIS COMMUNICATION IS INTENDED FOR INFORMATION PURPOSES ONLY.
- Disclaimer #2: Some information in this presentation has been borrowed from the Texas A&M University ISS Office. Credit goes to their office.

Tax Basics



- ***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
- Tax Year: January 1 – December 31
- 2020 deadline to file: **April 15, 2020**

Tax Basics



- Taxes – What are they?
 - A financial charge imposed by a governing body upon a taxpayer in order to collect funds
 - There are many types of taxes (income tax, sales tax, etc.)
- Income Tax
 - A financial charge imposed on income earned by an individual or business
 - This session primarily focuses on Federal Income Taxes
- Internal Revenue Service (IRS)
 - The unit of the U.S. federal government responsible for administering and enforcing tax laws – www.irs.gov

Income Tax Basics



- How are Income Taxes paid?
 - It is the taxpayer's (i.e. YOUR) 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 IRS on your behalf during the year
 - Each year, you file tax return to summarize tax obligations and payments for the prior tax year

Income Tax Basics



- What is a tax return?
 - A report that YOU file with the IRS 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 too little, you may owe the IRS some money.

Income Tax Basics



- What income can be taxed? Income that is earned through...
 - Employment
 - Assistantships and fellowships
 - Non-service scholarships/fellowships/grants that exceed qualifying tuition & 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 & how many tax credits, deductions and tax treaty benefits that may apply to you.

Tax Residency



- **Residents vs. Nonresidents**

- U.S. tax law divides people into residents and nonresidents for tax purposes
- **Residency for taxes \neq Residency for immigration \neq Residency for tuition**
- Residency for tax purposes determined by 'Substantial Presence Test'
 - Complicated calculation that considers how long you have been in the U.S. and in what status (IRS Publication 519)
 - In general, F-1/F-2/J-1/J-2 student/dependent status \leq 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

Tax Residency



- Nonresidents for tax purposes are NOT eligible for many of the tax benefits available to residents for tax purposes, such as...
 - Filing tax return online
 - Using the variety of software options advertised for tax filing assistance
 - Education credits
 - Earned Income Credit
 - Filing Jointly with a non-resident spouse
 - Claiming Dependents*

Tax Residency



- “So can’t I just use TurboTax?”
 - If you are classified as a nonresident for tax purposes... NO
 - You can (and should) use Sprintax, an online program similar to TurboTax, which will talk about shortly...

Who must file a tax return?



- **Nonresidents for tax purposes in 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 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

Tax forms- Part 1



- **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 for everyone!
 - You do not submit these forms directly to the IRS
- **Form W-4, Employee's Withholding Allowance Certificate:**
 - Completed by the employee and submitted to the employer so the employer can determine how much federal income tax to withhold from the employee's pay during the tax year
 - If you are a student employee at SHSU, you have already done this
- **Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, and the Affidavit of Unchanged Status:**
 - You only need to submit this form if your bank has asked you to do so

Tax forms- Part 2



- **Tax forms you may RECEIVE from employer/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!
- **Form W-2, Wage and Tax Statement:**
 - Summarizes total wages earned & amount of money withheld for any taxes during the tax year (one for every place you've worked)
- **Form 1042-S, Foreign Peron's U.S. Source Income Subject to Withholding:**
 - Documents taxable scholarship income or scholarship or employment income that is exempt from tax withholding due to a tax treaty.
- **Form 1098-T, Tuition Statement:**
 - Issued by educational institutions (such as SHSU) 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.

Tax forms- Part 3



- **Tax forms YOU may complete and submit to the IRS during tax return filing process**
 - You will not complete all of these forms.
 - You DO submit these forms directly to the IRS
- **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 1040-EZ, Income Tax Return for Single and Joint Filers With No Dependents

Whoa. Information overload.



- So what form do I need to file again?
 - If you are a nonresident for tax purposes and did NOT earn money at all in 2019*- Form 8843
 - If you are a nonresident for tax purposes and DID earn money in 2019 (student job, CPT, etc.)- Form 1040NR or 1040NR-EZ
 - If you are a resident for tax purposes- Form 1040 or 1040EZ

*International student athletes- if you are on an athletic scholarship, that is considered taxable income. You should file the Form 1040NR or 1040NR-EZ

SSNs and ITINs



- Do I need an SSN to file my taxes?
 - If you are filing Form 8843- NO
 - If you are filing any other form- YES
 - Except- If you are an international student athlete who does not have an SSN, you will but required to apply for an ITIN (similar to an SSN, but just for tax purposes). If you this applies to you, I HIGHLY recommend that you use Sprintax, and I HIGHLY recommend that you start working on your taxes ASAP).

How to file



- Okay, I think I know what form I need to file. What next?
 - Option 1: Do it yourself (not recommended!)
 - Take/print the form you need, complete it yourself, and put it in the mail before April 15, 2020
 - Make sure to only complete the sections that pertain to you (for example if you were a student for all of 2019, only complete the “students” section).
 - Pros: It’s free.
 - Cons: There’s no one to check it for you.

How to file



- Okay, I think I know what form I need to file. What next?
 - Option 2: Use the VITA Center
 - Schedule an appointment by emailing vitacenter@shsu.edu
 - Pros: The VITA Center has certified tax advisors that can help you determine your residency and complete the 8843, 1040NR, or 1040NR-EZ forms. They can also help you file back taxes, if needed.
 - Cons: Appointments fill up fast, so set up your appointment early!

How to file



- Okay, I think I know what form I need to file. What next?
 - Option 3: Use Sprintax (www.sprintax.com)
 - Like TurboTax, but just for international students!
 - Pros: They can help you determine your residency if you're not sure. They will provide you with the right forms. They will check that you have completed everything correctly. They can also help you file back taxes, if needed. Very easy!
 - Cons: It costs \$36 (but it's worth it!)

State Taxes



Texas doesn't have state taxes!



... BUT, if you worked in another state in 2019 (for example, on OPT, you may be required to file taxes for that state (use Sprintax!))

Tax treaties



- Many countries have tax treaties (i.e. agreements) with the U.S. government
- Treaties may grant tax benefits to foreign nationals residing in the U.S.
- Example: Most nonresidents for tax purposes cannot claim dependents on their tax return. Citizens of Canada, India, Mexico, and Korea can do so because of their tax treaties. Beneficial!

If you think your country may have a tax treaty with the U.S., I recommend that you use Sprintax- it will determine your eligibility.

... oh no....



- “I have been here for three years and I have never filed my taxes. Am I going to be arrest/deported/etc.?”
 - NO. The IRS is a separate government entity. They are not the police, USCIS, CBP, etc.
 - BUT... it is in your best interest to correct your situation.

You can correct your situation by filing “back taxes” on Sprintax. At the beginning of the questionnaire, Sprintax will ask you if you have filed taxes for your previous years of residency in the U.S. If you answer “no,” they will instruct you on how you can complete the process.

Fix your problems now = Avoid problems in the future!

Top Ten Tax Myths



Tax Myth #1



Myth: I can file taxes whenever I want during the year.

Reality: NO! The deadline is **April 15, 2020.**

Tax Myth #2



Myth: I completed Form W-4 when I started my job, so I filed my taxes.

Reality:

- Form W-4 is not a form used in filing your tax return.
- This form helps your employer determine how much money should be withheld from each of your paychecks for the purpose of meeting your tax payment requirement.

Tax Myth #3



Myth: I am an F-1/J-1 student, so I am 100% exempt from paying taxes.

Reality:

- F-1 and J-1 students are NOT 100% exempt from paying taxes.
- If you earn taxable income through employment, you will likely have taxes deducted from each of your paychecks.
- If you earn any sort of taxable income, you must file a tax return to determine how much tax you are obligated to pay.
- If you did not pay enough during the year, you will owe the IRS money.

Tax Myth #4



Myth: I am an F-1/J-1 student and I didn't earn any income in the U.S., so I don't have to file any tax forms.

Reality:

- F-1/J-1 students and their F-2/J-2 dependents who are considered nonresidents for tax purposes are required to submit Form 8843 to the IRS regardless of whether they earned any taxable income during the tax year.
- Sprintax will help you complete this form.
- Form 8843 is a tax statement, not a tax return.

Tax Myth #5



Myth: I am an F-1/J-1 student, so I can use any software I want to file my tax return.

Reality:

- If you are still a nonresident for tax purposes (i.e. in the U.S. in this status for 5 years or less), you cannot use any software you want, file electronically, or use the same forms as U.S. citizens.
 - Nonresidents for tax purposes should use Sprintax to generate your tax return and then mail the documents to the IRS.
- If you are a resident for tax purposes, then you can use any software you choose and file electronically.

Tax Myth #6



Myth: I filed my federal tax return so I will automatically receive a tax refund!

Reality

- Nonresidents for tax purposes only receive a tax refund if during the tax year they paid the IRS more money in taxes than they were required to pay.
- If you did not have any income or did not pay any taxes, you will not receive a refund.
- If you paid the correct amount of taxes during the year, you will not receive a refund.
- If you did not pay enough taxes during the year, you may actually owe the IRS some money.:

Tax Myth #7



Myth: I lived and worked in Illinois last year (on CPT), but because I no longer live in Illinois, I don't need to file Illinois state taxes.

Reality

- You need to file state taxes in any state where you earned money in 2019 (even if you no longer live there).
- No all states have state taxes, but many do!
- Sprintax can help you determine if you owe state taxes in another state.

Tax Myth #8



Myth: My employer didn't withhold any taxes from my paycheck, so I must not be required to pay taxes!

Reality:

- Some employers do not withhold federal taxes from their employee's paychecks. This typically occurs with contract employment.
- If you receive income from employment, and taxes are not withheld, you will likely owe the IRS some money when you file your tax return.

Tax Myth #9



Myth: It's okay if I don't file my tax forms because there will not be any consequences.

Reality:

- Filing your tax forms and filing them correctly is required by law!
- Failure to do so and/or incorrectly filing can result in penalties, interest charges and/or an IRS audit.
- Failure to correctly file your tax forms can also impact future visa and/or status requests in the U.S.

Tax Myth #10



Myth: I've been in the U.S. for several years and never filed any tax forms, but that's okay. It's too late to file anyway.

Reality:

- You should file the tax forms for any previous year(s) during which you were obligated to file but did not.
- Contact Sprintax for assistance with determining how to file for previous years.
- Remember, failure to file your tax forms can have serious consequences!

Tax Resources



Tax Resources



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

Tax Resources



All forms will be available in the SHSU Office of International Programs...

...but, a friendly reminder that OIP staff are NOT Certified Public Accountants or tax professionals and cannot complete your tax form. We can only offer information.

A photograph of a piece of white lined paper with vertical lines. The word 'Questions?' is written in a large, black, cursive script. A black marker is positioned at the bottom right of the page, with a thick, curved line drawn underneath the word. The marker has 'Car...' and 'PERMANENT' visible on its side.