1. U.S. Taxes - Overview
2. Determining tax residency
3. Types of payments
4. Tax treaties
5. Completing Tax paperwork
6. Filing taxes
7. Contact Information
4 Types of taxes that may affect a foreign national at U.Va:

1. **Federal Income Tax** - A tax levied by the United States Internal Revenue Service (IRS) on the annual earnings of individuals; amount determined by federal income tax bracket

2. **State Income Tax** - A tax levied by the Commonwealth of Virginia on the annual earnings of individuals; amount determined by state income tax bracket

3. **Medicare Tax** – Federal tax deducted from wages; 1.45% of earnings

4. **Social Security Tax** – Federal tax deducted from wages; 4.2% of earnings

*FICA – common term for Medicare and Social Security tax*
Determining Tax Residency

2 types of Tax Residency for Foreign Nationals:

- Nonresident Alien (NRA)
- Resident Alien (RA)
Substantial Presence Test

This test determines a foreign national’s tax residency status and contains 2 parts. Both parts must be passed for an individual to be considered a Resident Alien.

Part 1 – Days present in the current year must be at least 3, and

Part 2 – The total of the following must be at least 183 days:

- Current year days in U.S. X 1, plus
- First preceding year days in U.S. X 1/3, plus
- Second preceding year days in the U.S. X 1/6

Please feel free to contact me to help with determining tax residency status.
Green Card Test

- If a foreign national is a Lawful Permanent Resident (LPR) of the United States at any time during the calendar year, they are a Resident Alien, for tax purposes.

- A foreign national is a LPR if U.S. Citizenship and Immigration Services (USCIS) has issued them an alien registration card, Form I-551, also know as a “green card”.
Nonresident Alien

A Nonresident Alien (NRA) is an individual who has neither met the substantial presence test (SPT) nor the Green Card Test.

- **F1/J1 Students** are generally considered nonresident aliens for the first 5 calendar years they are present in the U.S.

- **J-1 Scholars** are generally considered nonresident alien for the first 2 calendar years they are present in the U.S.
Resident Alien

A Resident Alien (RA) is an individual who has met either the substantial presence test (SPT) or the Green Card Test.

- **F-1/J-1 Students** are generally considered resident aliens on the 6th calendar year they are present in the U.S.
- **J-1 Scholars** are generally considered resident aliens on the 3rd calendar year they are present in the U.S.
Types of Payments

- **Wages/Payroll** — Income earned from employment at U.Va; FIT, SIT, Medicare and Social Security taxes withheld (depending upon tax residency and tax treaty)

- **Qualified Scholarships & Fellowships** — Money received for tuition, mandatory fees, books, supplies and equipment; no taxes withheld

- **Non-Qualified Scholarship & Fellowships** — Money received for living expenses (ex. room & board, clothing, stipends); FIT withheld (depending upon tax residency and tax treaty)

- **Honorarium** — Payment given to a professional for services for which fees are not legally or traditionally required; FIT withheld (depending upon tax residency and tax treaty)
There are specific tax parameters for Nonresident Aliens:

- **Federal Income Tax (FIT)** — Not exempt (May be exempted by tax treaty)

- **State Income Tax (SIT)** — Not exempt (May be exempted by tax treaty)

- **Medicare Tax** — Exempt

- **Social Security Tax** — Exempt
Resident Aliens are taxed the same as U.S. citizens.

- **Federal Income Tax (FIT)** — Not exempt (may be exempted by tax treaty)
- **State Income Tax (SIT)** — Not exempt (may be exempted by tax treaty)
- **Medicare Tax** — Not exempt (unless qualified for Student FICA Exemption)
- **Social Security Tax** — Not exempt (unless qualified for Student FICA Exemption)
U.Va Requirements for the student FICA exemption

To be exempt from FICA (Medicare and Social Security Tax being withheld from their paycheck) under the student FICA exemption, a foreign national student must meet all of the following requirements:

- Be currently enrolled as a student at U.Va
- Be currently enrolled in a degree-seeking program
- Be currently enrolled in at least 6 credit hours
- Be employed as a student employee (cannot be Faculty, Temporary, or University Staff)
- Must have their Social Security Number entered into the Student Information System (SIS)
Payments that are not considered qualified (ex. stipends, housing and dining allowances, clothing allowances, etc.) are taxed at 14%.

A reduced rate or exemption may apply if there is a tax treaty between the foreign national’s country of tax residence and the United States.
Resident Aliens are taxed the same as U.S. citizens, so the University does not withhold taxes on scholarship or fellowship payments.

Individuals are responsible for tracking, reporting, and paying taxes as appropriate.
Tax Treaties

- A tax treaty is an agreement between two governments under which each country agrees to reduce or exempt an individual from federal income tax withholding on his scholarship /fellowship grants and/or compensation payments.

- A tax treaty is an attempt to avoid double taxation of income.

- Individuals who come to the United States from a country with which the U.S. has entered into a tax treaty should review the provisions of that treaty and the U.S. tax regulations to determine the proper tax exposure.
## Tax Treaties - Countries

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<th>South Africa</th>
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The U.S./U.S.S.R. income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan
The office of Human Resources Compliance and Immigration Services (HR-CIS) is available to assist individuals in reviewing a tax treaty to determine whether it is applicable and assisting in the completion of the required documentation.

The following documents are required to complete tax treaty documentation:

1. Social Security Card or ITIN
2. Valid passport with I-94 card
3. I-20 (F-1), DS-2019 (J-1), or I-797 (H1-B)
Completing Tax Paperwork

When beginning a new job at U.Va, a foreign national will need to complete the following tax paperwork:

**W-4 Form** – Used to withhold the correct Federal Income Tax (FIT) amount from pay.

**VA-4 Form** – Used to withhold the correct State Income Tax (SIT) amount from pay.
Completing the W-4 - NRA

Nonresident Aliens (NRA) have certain requirements for filling out tax paperwork:

- Can only select “Single” (even if they are married)
- Can only claim “0” or “1” allowances
  - Students from India and South Korea may claim an allowance max of “2”
- Cannot claim “Exempt” from Federal Income Tax.
Completing the W-4 - RA

Resident Aliens (RA) may complete the W-4 just like a U.S. citizen. Please have them use the worksheet on the W-4 form to calculate their allowances.
Completing the VA-4 - NRA

Nonresident Aliens (NRA) have certain requirements for filling out tax paperwork

- Can only claim “0” or “1” allowances
  - Students from India and South Korea may claim an allowance max of “2”
- Cannot claim “Exempt” from State Income Tax.
Completing the VA-4 - RA

Resident Aliens (RA) may complete the VA-4 just like a U.S. citizen. Please have them use the worksheet on the VA-4 form to calculate their exemptions.
Filing Taxes

- **Federal Taxes**
  
  ALL international students and scholars who were in the U.S. for any period of time during 2011 must file an annual tax statement with the federal government.

- **Form 8843**
  
  All *Nonresident Aliens* who are present in the U.S. under an F-1, F-2, J-1, J-2, M-1, M-2, Q-1, or Q-2 immigration status MUST file Form 8843 “Statement for Exempt Individuals and Individuals With a Medical Condition.” – even if they received NO income during 2011. Form 8843 is not an income tax return. Form 8843 is merely an informational statement required by the U.S. government for certain nonresident aliens (including the spouses or dependents of nonresident aliens).
Filing Taxes – NRAs

Foreign National Tax Resource (FNTR)

The International Studies Office (ISO) in partnership with UVA’s Office of Compliance and Immigration Services (CIS) offers tax software specifically for nonresident aliens at no cost to the individual to prepare their federal and state taxes.

FNTR will also produce the 8843 Form required.

Failure to properly file taxes can severely jeopardize any future applications for immigration benefits such as employment-based visa status or a Green Card.
Filing Taxes – RAs

- Resident aliens are taxed like US citizens, therefore, RAs will need to use a version of the 1040 federal tax form.

- RAs may utilize FreeFile (the IRS free filing system), a tax preparation software package (ex. TurboTax), a tax preparation service, or a Certified Public Accountant (CPA).

- The University of Virginia also offers a free tax return program. Information is available in January of every year regarding time and location of these services.
W-2 — Form reporting all taxable income (wages) earned in a calendar year issued by UHR Payroll. Available by mail or self-service.

1042-S — Form reporting:
- Non-qualified scholarships & fellowship payments and/or,
- Income covered by a tax treaty
Issued by HR-CIS and available by mail only.
Joni Louque
Foreign National Tax Consultant
UHR Compliance & Immigration Services (HR-CIS)
434-924-1377
jel4p@virginia.edu

Our department is prohibited by law and University policy from providing official tax advice or assisting with tax returns.
Questions?
Thank you!