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US Federal Income Tax for F-1 Student Visa Holders

Please do not mistake the following information for tax advice; the following slides are intended for use as a frame of reference for the US Federal Income Tax process.



Foreign Students and Scholars

Aliens temporarily present in the United States as **students**, trainees, scholars, teachers, researchers, exchange visitors, and cultural exchange visitors are subject to special rules with respect to the taxation of their income.

<http://www.irs.gov/Individuals/International-Taxpayers/Foreign-Students-and-Scholars>

A Word from the University of Charleston



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Virtually ALL F-1 visa-holding international students and their dependents are **required by federal law** to file an income tax form every year, regardless of whether they earned income while in the United States. Income tax issues are complex and confusing, even for US citizens. The following presentation is designed to help you understand **what your basic responsibilities are** and to provide resources to **help you get more information**.

Remember that University of Charleston employees are NOT TAX EXPERTS. We CANNOT provide any tax advice or help you with tax issues.

Who Must File the 8843?



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All F-1 students present for ANY part of 2015 must fill out and mail

IRS Form 8843

“Statement for **Exempt** Individuals and Individuals with a Medical Condition”

FIND THE FORM HERE:

<http://www.irs.gov/pub/irs-pdf/f8843.pdf>

Who Must File the 1040-NR?



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IRS Form 1040-NR

“U.S. Nonresident Alien Income Tax Return”

is required by nonresident alien students and scholars who have:

- 1) A taxable scholarship or fellowship, as described in Chapter 1 of [Publication 970](#), Tax Benefits for Education;
- 2) Income partially or totally exempt from tax under the terms of a tax treaty; and/or
- 3) Any other income which is taxable under the Internal Revenue Code
-- Wages, tips, dividends, etc.

Who *doesn't* have to file a 1040-NR?



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Filing IS NOT required by nonresident alien students and scholars who have income ONLY from:

- 1) Foreign sources;
- 2) Interest Income from:
 - a. U.S. bank
 - b. a U.S. savings & loan institution
 - c. a U.S. credit union
 - d. a U.S. insurance company
- 3) An investment, which generates Portfolio Interest (Described in Chapter 3 "Exclusions From Gross Income" - "Interest Income" – "Portfolio interest" of [Publication 519](#), U.S. Tax Guide for Aliens);
- 4) A scholarship or fellowship, which is entirely a Tax Free Scholarship or Fellowship as described in Chapter 1 of Publication 970, Tax Benefits for Education; and/or
- 5) Any other income which is nontaxable under the Internal Revenue Code. However, income, which is not taxable because of an income tax treaty must be reported on a U.S. income tax return even though no income tax is due on the U.S. income tax return.

US Tax Residency Classifications:
Resident vs. Nonresident Alien



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For Federal Income Tax purposes, **Resident Aliens** and **Nonresident Aliens** are treated differently.

See the following slides to determine your status.

US Tax Residency Classifications:
Resident vs. Nonresident Alien



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Resident Alien, if:

- *Immigration and Nationality Act* indicates legal permanent resident (“green card”)
- *Substantial Presence Test (SPT)* indicates physical presence in the US in set period

<http://www.irs.gov/Individuals/International-Taxpayers/Introduction-to-Residency-Under-U.S.-Tax-Law>

US Tax Residency Classifications: Resident vs. **Nonresident Alien**



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Nonresident alien (Substantial Presence Test exempt) if in the US as:

- **F-1 student for less than 5 years**, and not an exempt scholar
 - ✦ If 5-year period has passed, SPT is required to verify status of tax residency
 - ✦ Same rule applies to F dependents (Dependents with F-2 visa)
 - ✦ File Form 8843 (even if tax return 1040-NR is not required)

Income Subject to US Taxation



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Nonresident Aliens, as a **general rule**, must report

US Source Income to IRS, including:

- Interest
- Dividends
- **WAGES/COMPENSATION**
- **SCHOLARSHIP/FELLOWSHIP ***
- Real Property
- Personal Property

See <http://www.irs.gov/pub/irs-pdf/p519.pdf>, page 11-13, for more information

Income **NOT** Subject to US Taxation



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- Interest on a portfolio or from a bank deposit account
- Compensation paid by a *foreign employer* to a nonresident alien on an F visa
- ***SCHOLARSHIP/FELLOWSHIP** for **qualified education expenses** paid to a degree candidate attending an eligible institution

See next slide for more information on qualified education expenses.

Qualified Education Expenses



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Qualified Education Expenses include

Tuition and fees

Course-related expenses (books, supplies, equipment required specifically for a class)

**Room and board/travel expenses ARE NOT
Qualified Educational Expenses**

Note: If your funding requires you to provide a service in exchange, it is **not “qualified.”**

Excludable Scholarship/Fellowship Funds



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- The following funding can be **excluded** from your income:
 - ✦ Presidential, Leadership and Involvement, Welch Colleague, Riggleman, International Scholarships, and Athletic Scholarship
Why? Because you are not obligated to provide a service in exchange for funding.

- The following funding should be **included** in your income:
 - ✦ Resident Assistant, Graduate Assistant, Peer Educator as well as income received from On Campus Employment, Curricular Practical Training, and Optional Practical Training
Why? Because you are obligated to provide a service in exchange for funding.

Where can I find the forms?



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[Form 8843: Statement for Exempt Individuals](#)

[Form 1040NR-EZ: U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents](#)

[Form 1040NR: U.S. Nonresident Alien Income Tax Return](#)

Before **April 15**, mail the 8843 exemption form (and the 1040NR-EZ/1040NR, if applicable) to:

**Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301-0215
U.S.A.**

You can find information about international tax treaties [HERE](#).

What Happens if I Don't File a Tax Return?



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Great question!

Scenario 1: Let's say your employer withheld taxes from your income and you don't file a 1040-NR. **Even if you're entitled to a refund, you will not receive it.**

Scenario 2: You graduate, then finish your year of Optional Practical Training. Your employer is so happy with your work, s/he offers to sponsor your transition to an H1-B work visa. Your application is reviewed by several U.S. government agencies, **including the IRS.** The IRS might look for your 8843/1040-NR forms.

Scenario 3: You graduate and get married. Before becoming a U.S. Citizen, you'll transition into Permanent Resident status. Your application for permanent residency will be reviewed by several U.S. government agencies, **including the IRS.** The IRS might look for your 8843/1040-NR forms.

The Moral of the Story



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File the appropriate forms and
KEEP COPIES for your own records.



Want to meet with an AARP **tax counselor** on campus?

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It's FREE.

Make an appointment by signing the sheet attached to the door of the International Programs Office.

Watch your e-mail for an announcement about dates and times for advising sessions.

- **Bring**
 - ✦ Passport/Visa and I-20
 - ✦ Social Security Number (or ITIN)
 - ✦ 1098-T, 1042-S, and W-2 forms if applicable
 - check your campus mailbox
 - ✦ COMPLETED [Form 8843](#)

Want to get help on your own?



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- [IRS.gov](https://www.irs.gov)
- [Taxhelp.org](https://www.taxhelp.org) is a free resource. Follow the link and scroll down to the section about International Students.
- [NRTaxReturn](https://www.nrtaxreturn.com) is an online tax preparation resource. It can help you fill out your 1040NR-EZ (or 1040NR) and your Form 8843 for about \$30.
- [Glacier Tax Prep](https://www.glacierprep.com) is another online tax preparation resource. It's great, but unfortunately it's not free. It costs about \$34.
- **The IRS Office** offers minimal assistance with filing tax forms.
 - 161 Court St., Charleston, WV 25301
 - Monday-Friday - 8:30 a.m.-4:30 p.m.
 - (304) 561-3086