



US Tax Obligations

International Student Services – Texas A&M University

The Tax System in the United States

- In the US, every person who earns money must pay income tax. This tax is usually deducted from your paychecks throughout the year.
- **A tax year** goes from January 1 to December 31. At the end of the tax year, in January, all employers are required to create a summary statement of how much money each employee has earned or has been given (i.e. scholarships, grants, fellowships, stipends) and how much tax was taken out of each paycheck during the tax year.
- There are three common types of summary tax statements issued by employers:
 1. **W-2 Forms** - for earned income, which is issued by the employer by January 31
 2. **1042-S** - for taxable scholarships and other income affected by tax treaties, which is issued by the employer by March 15
 3. **1099-INT** - for interest earned in various bank accounts, which must be issued by January 31.

NOTE:

- You should receive these documents shortly after the issue dates (early February for the W-2 and 1099-INT and late March for the 1042-S). Please contact your employer or bank if you have not received the documents in a reasonable length of time after they should have been issued.
- Forms W-2, 1042-S, and 1099-INT are mailed to everyone who had the applicable type of income in the US Upon receipt of these documents, it becomes your responsibility to fill out the correct annual income tax return forms and file them with the Internal Revenue Service (IRS), the government agency charged with overview of taxation in the US.
- The above-mentioned forms are called **income tax return forms** because each taxpayer *returns information* to the government about their tax status.
 - The purpose of these forms is to report what income was earned and how much tax should be paid, checking to see if the amount deducted from each paycheck was the correct amount.
 - Some individuals who have paid too much will be sent a refund. Some who have paid too little will owe additional taxes and must send a check with their tax forms.
 - When completed, the forms should be sent to the Internal Revenue Service by April 15th.
- Between **February and April 15th each year**, International Student Services (ISS) sponsors information sessions on CINTAX, a tax preparation software program provided by Texas A&M for use free of charge by students/staff/faculty who are nonresident aliens. A one day on-campus visit by an IRS representative is also held during this time.

- Extensive information is provided on the ISS web site, which is updated each spring in anticipation of tax time.

Important Facts

- All F, J, and M visa holders, **even those who earn no money in the US**, must file tax form(s) at the end of the tax year.
- People who had no US-sourced income but are considered nonresident aliens for tax purposes will still need to file Form 8843.
- International students are **NOT** automatically exempt from paying income tax.
- Students paid on assistantships must pay taxes.
- International students who receive scholarships, fellowships, grants or stipends may be subject to international withholding tax.
- Always make copies of documents sent to the IRS and save copies of tax returns and receipts for at least seven years. This information is sometimes important for future immigration and scholarship applications.
- Make sure that the university has your most recent address (update this information yourself at <http://myrecord.tamu.edu>). Failure to do so could result in your not receiving the necessary documents to file your taxes correctly at the end of the year.
- Inform your hiring department if you change to a different visa type, since this may affect the amount that should be withheld from your paycheck. Failure to do so could result in your owing additional taxes at the end of the year.
- Not filing tax forms, or filing them incorrectly, could result in penalties, including fines and interest on unpaid taxes. It could also impact future immigration applications, such as permanent residency or work visas.

Tax Residency

- In order to calculate the kind of tax you will pay and what kind of tax forms you will need to file, you must know whether or not you are considered a non-resident or resident for tax purposes.
- What is the difference? Mainly, residents for tax purposes fall under the tax rules and regulations that apply to US citizens, and file the same forms as US citizens. There are separate regulations and forms specifically for non-residents.
- **F-1 and J-1 students generally do not qualify for tax residency until they have been in the US more than five years.** In the sixth year, students who pass the Substantial Presence Test must be treated as residents for tax purposes.
- International students who are **non-resident aliens for income tax purposes** must complete: Form 1040NR or 1040NR-EZ and Form 8843.

- US citizens, US permanent residents and international students who are **residents for tax purposes** complete: Form 1040 or 1040EZ.
- IRS Publication 519, US Tax Guide for Aliens, provides more information about tax residency and the Substantial Presence Test to determine your tax residency status.
- CINTAX, the tax preparation software provided by ISS, also walks students through this test in order to determine eligibility to use the software (which can only be used by non-residents for tax purposes).
- Students instructed by their respective payroll office to complete GLACIER, the online non-resident alien tax compliance system, will also complete the Substantial Presence Test in order to assist payroll in determining the appropriate withholding based on your tax residency status.

Taxes on Employment Income

- When an employer hires you, you must complete certain forms that tell the employer how much money they should deduct from your pay to send to the IRS.
- Students employed by Texas A&M, or who receive a taxable scholarship/fellowship/grant, will be asked by the respective payroll office to complete some information online using GLACIER.
- If it is determined you are a non-resident alien for tax purposes, GLACIER will correctly complete for you Form W-4 and 8233, described below. In such case, print and submit these forms to the appropriate payroll office as instructed:
 1. **W-4 Form:**
 - This form is given to each employee when hired and must be completed before a paycheck is received. It tells the employer how much money to deduct from a person's paycheck.
 - Never claim that you are completely exempt from tax on this form. You will be held responsible for proving that what you write is true.
 - For non-residents, instructions for filling out form W-4 are located in Section 8 of IRS Publication 519, the "US Tax Guide for Aliens."
 - Do not use the instructional worksheets on Form W-4 to determine your withholding unless you are a "resident for tax purposes."
 - If you realize that you made an error on a W-4 form, you should submit a new one to correct it.
 2. **Form 8233:**
 - This form is used when you want to claim tax treaty benefits.
 - Some countries have tax treaties with the US, but this does not mean that taxes do not have to be paid. Each treaty is different, and some say that a portion of the income will be exempt from taxes (not taxed).
 - A tax treaty benefit is **never** claimed on the W-4 form. Instead, individuals who wish to claim tax treaty benefits will have to complete Form 8233. Also, you will have to validate your tax treaty benefits when annual tax forms are filed at the end of the tax year.

□ **Payroll Offices :**

- There are many payroll offices, so be sure you use the correct one for your department. In some cases you may deal with more than one payroll office, each of which has its own GLACIER portal. Therefore, you may be asked to access and complete GLACIER more than once.
- Some of those most often used by international students are listed below:
 - **Engineering Payroll:** 458-7493 (all engineering departments)
 - **Texas Agriculture Experiment Station Payroll:** 845-4775 (all agriculture departments)
 - **Health Science Center Payroll:** 862-2189
 - **Food Services Payroll and Personnel:** 458-1890
 - **Texas A&M University Main Payroll Office:** 845-2711 (all other campus departments)
 - **System Administration and General Offices (SAGO) Payroll:** 458-6119

Taxes on Scholarships, Fellowships, Grants, and Stipends

Before receiving a scholarship, fellowship, grant or stipend, you will be asked to complete GLACIER to assist Texas A&M in determining how much, if any, money should be withheld for taxes.

Tax Summary Report

- Based on your answers, GLACIER will produce a report for payroll to use to determine how much tax the university will withhold from scholarships, grants, fellowships, stipends and awards given by the university.
- If you are receiving one of these kinds of income from another US entity you may be asked to complete a History of Presence Form by that organization in order for them to determine withholding.
- Generally, the university will withhold at a rate of 14%.
- You will only be taxed on the amount of money (from scholarships, fellowships or grants) that exceeds the total of your qualified school tuition and fees. (For example, if you have a scholarship of \$4000 and your tuition and fees total \$3500, you only have \$500 of taxable income [$\$4000 - \$3500 = \$500$]). However, stipends will be taxed on the full amount.
- **W-8 BEN:**
 - If your country of citizenship has a tax treaty with the United States, making you exempt from tax on scholarships, fellowships, grants and stipends, GLACIER will produce a Form W-8 BEN.
 - You will need to print, sign and submit this form to payroll as instructed. Once you have completed GLACIER and submitted a W-8 BEN, the university will withhold 0%.
- Unlike payroll, one office handles all the scholarship for Texas A&M University students. To make sure you have the correct forms (concerning scholarships, grants, fellowships and stipends) on file with the main payroll office at the university, you should contact **Texas A&M**

University Payroll Services (Room 117 East Wing Sbisa) at payroll@tamu.edu or see their website: <http://finance.tamu.edu/payroll>.

Taxes on Interest Income

- Non-residents do not have to pay tax on certain kinds of interest income at banks. You may be asked to fill out Form W-8 at your bank to apply for this benefit. However, you may still have to explain this benefit on the 1040NR or 1040NR-EZ at the end of the tax year.
- If you become a *resident for tax purposes* this benefit is no longer available, and your bank may ask you to complete a Form W-9 to verify this.

Additional Tax Deductions

- At the end of the year, you can claim tax deductions for any money you spent on books, tuition and required fees and school supplies related to your education, **only** if you have a scholarship that is provided to pay for these expenses.
- If you plan to claim such exemptions, you should save all receipts, check stubs, and papers showing payment for these items.
- NOTE: Assistantships are **NOT** considered scholarships and therefore this deduction cannot be given to those who have assistantships.
- Everyone should save evidence of costs for plane tickets, meals and hotel expenses to move to College Station, day care expenses for children, any thefts or losses, unreimbursed employee expenses and any gifts to a US charity. If you are eligible to use these costs, some of these items will be useful as deductions on your income tax return form and will help you pay less tax. However, you must keep the relevant receipts and paperwork and be prepared to prove how this money was spent. Further information about what items are deductible may be found in IRS Pub. 519.

Social Security (OASI) and Medicare (OAH) Taxes

- **Social Security** is a mandatory retirement system in the United States.
- **Medicare** is a health care program.
- Any J-2 must pay Social Security or Medicare tax.
- F-1 and J-1 students working on or off-campus with DHS permission **do not** pay Social Security or Medicare taxes unless they are *residents for tax purposes* (see section in this manual about “Tax Residency”).
- Your employer uses your completed History of Presence Form to determine your tax residency status. Make sure you complete this form, or complete the GLACIER process, when you are hired.

- Occasionally, employers erroneously withhold this tax when students have practical training authorization, but it is possible to obtain a refund if this happens:
 - First, attempt to obtain a refund through your employer.
 - If this is not possible, you may request a refund from the IRS.
 - Instructions about how to apply for this refund, and more information about this topic, can be found in the “Social Security” section in IRS Pub. 519.

Where to go for help and information

- **Publications:** There are several government publications that are very helpful. During tax season, most can be obtained in the Government Documents area of the Sterling Evans Library or online in PDF format at <http://www.irs.gov>:
 - Pub. 519 US Tax Guide for Aliens
 - Pub. 901 US Tax Treaties
 - Pub. 513 Tax Information for Visitors to the US
 - Pub. 520 Scholarships and Fellowships
 - Pub. 515 Withholding of Tax on Non-resident Aliens
- **Contact the IRS directly:**
 - International Issues (this is not a toll-free call) : 1-215-516-2000
 - Technical Services Division: 1-800-829-1040
 - Order forms and publications (these are free): 1-800-829-3676
- **International Student Services:**
 - Each January, as tax season begins, ISS will update its tax-related information online (<http://international.tamu.edu/iss>).
 - ISS will also send to all students’ Texas A&M email accounts the password and access information for CINTAX software.
 - ISS will advertise the on-campus visit of an IRS representative.
 - Be sure to sign-up for the ISS listserv (on our main web site) to ensure you receive important notices, such as tax information each spring.

***Please be aware that the US tax laws change frequently. Please verify tax laws and procedures each year to be certain that you have the most accurate information.**