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Presentation on Tax Filing Requirements

As a courtesy to its students, Georgetown University has asked PricewaterhouseCoopers to present this briefing summarizing individual income tax filing requirements and basic reporting rules.

This briefing contains general information only and does not constitute legal advice.

Georgetown University has not reviewed the materials for accuracy or completeness. Georgetown University does not guarantee the accuracy of the information or its applicability to any particular student’s personal situation.

Students should not rely on the information in this briefing but should consult with legal and accounting professionals of their own choosing.
Agenda

What’s new for 2019
US Taxation - Residency Status
Form 1040NR
Form 8843
Identification Numbers
Income/Deductions
Tax Treaties
Publications
What’s new for 2019 –

- Changes for 2019
  - Gross Income to file has increased for tax resident individuals.
  - Standard Deduction increased
  - Miscellaneous itemized deductions eliminated (including employee business expenses)
  - Tuition and fees deduction has been extended to cover qualified education expenses paid in 2018, 2019, 2020
  - Publication 519 at the time of this presentation has not been updated for 2019 tax returns. Thus, we recommend to review the latest version before assessing your tax situation/filings.
What’s new for 2019 – The Tax Cuts and Jobs Act

• Changes for 2018 – 2025
  - Federal tax rates reduced.
  - Gross Income to file has increased for resident individuals.
  - Standard deduction increased.
  - Personal and dependent exemptions eliminated.
  - State tax deductions limited to $10,000.
  - Miscellaneous itemized deductions eliminated (including employee business expenses).
  - Tuition and fees deduction has been extended to cover qualified education expenses paid in 2018, 2019, 2020.
  - Child tax credit increased.
Importance of Tax Residency

- US Citizens and Residents Taxed on Worldwide Income, May File Jointly, Claim Standard Deduction or Itemized Deductions, and can potentially claim child tax credit (increased to $2,000 per qualifying child starting 2018); Generally No Treaty Exemptions Available.
**Tax Residency**

- **U.S. Citizen**
  - Subject To Worldwide Taxation Even If Living Outside The U.S.
  - Taxed On Worldwide Income

- **Non-U.S. Citizens. Two Tests To Determine If Treated As A U.S. Resident For Tax Purposes**
  - “Green Card Test”
    - Subject To Worldwide Taxation Even If Living Outside The U.S. (Unless Treaty Claim Utilized)
    - Treated As U.S. Resident Until Green Card Is Formally Relinquished (Form May Also Be Required if Long-Term Permanent Resident) – Abandonment or Expiration Has No Impact for Tax
Tax Residency

- “Substantial Presence Test – SPT –”
  ◦ Must Physically Be Present In The U.S. For At Least 31 Days In The Current Year, And
  ◦ For 183 days During The Three Year Period That Includes The Current Year And Two Years Immediately Before That, Counting:
    › All The Days Present In The Calendar Year
    › 1/3 Of The Days Present In The First Year Before The Current Year
    › 1/6 Of The Days Present In The Second Year Before The Current Year
**Tax Residency**

- Days Which Are “Exempt” From The Substantial Presence Test:
  - Full Time Students Holding F, J, M and Q Visas
    > Time Maximum: Generally Five Calendar Years (but can go longer if no intention to remain in the US permanently and document on Form 8843)
  - Teacher/Trainees (Non-Student) Holding J or Q Visa
    > Time Requirement: Two Of Last Six Years
    > Must Take Into Consideration If Time Was Spent As A Student
  - Note That Other Visa Classifications Are Not Exempt Even If They Are Considered Students, Trainees Or Teachers
  - **Form 8843 Required To Substantiate Presence as An Exempt Individual-Must Be Filed With 1040NR, if filed.**
State Tax Residency

• Washington, DC
  - Lived in DC for more than 183 days
• Virginia
  - Lived in VA for more than 183 days
• Maryland
  - Lived in MD for more than 6 months
• Reciprocity agreement – DC, Kentucky, Maryland, Pennsylvania, Virginia, and West Virginia
• Double Taxation Treaty: D.C., Maryland and Virginia follow treaty residency application.
Social security and Medicare tax

• Students holding F, J, M and Q visas are exempt from social security and Medicare tax, generally for the first five years.

• If social security and/or Medicare tax was improperly withheld, request a refund from employer or file Forms 843 and 8316 with the IRS.
If I’m a US citizen or resident, do I have to file? What do I have to file?

- If single, gross income in excess of $12,200 (under the age of 65), if married filing jointly, income in excess of $24,400 (if no dependents and both spouses under the age of 65)
- Federal Form 1040.
  - Schedule 1 for Student Loan Interest Deduction or other income
  - Schedule 3 for Education Credits
  - Schedule 6 to report a foreign address
- Federal Form 8863 to claim the Lifetime Learning and American Opportunity credits
- State forms VA 760, MD 502 or D.C. D-40 (depending on state of residency).
- Additional filing requirements in case foreign financial assets are owned.
If I’m a nonresident alien, do I have to file? What do I have to file?

• No 1040NR form requirement if no US source/effectively connected income; otherwise 1040NR
• Federal Form 8843 required to confirm nonresident alien status of F, J, M and Q visa holders
• Federal Return required in order to claim treaty benefits (Form 8833 may be required)
• If income tax was withheld but no or lower tax is imposed, a return is required in order to request a refund
Form 1040NR
Form 8843

- Form 8843 - Statement for Exempt Individuals and Individuals With A Medical Condition
  - All students and their spouses and dependents admitted to the US on an F, J, M or Q visa must file
  - Information statement
- Required information:
  - University name, address and telephone number.
  - Type of visa and entry date to the U.S.
  - Country of citizenship
  - Days present in the US
- Attach to Form 1040NR if have taxable income; file by 4/15 if no income to report
Form 8843

Statement for Exempt Individuals and Individuals With a Medical Condition
For use by alien individuals only.

For the year January 1 – December 31, 2019, or other tax year

Part I General Information
1a Type of U.S. visa (for example, F, J, M, Q, etc.) and date you entered the United States ▶

2 Of what country or countries were you a citizen during the tax year?

3a What country or countries issued you a passport?

3b Enter the passport number here ▶

4a Enter the actual number of days you were present in the United States during:

2019

2018

2017

4b Enter the number of days in 2013 if you claim you can exclude for purposes of the substantiated presence test ▶

Part II Teachers and Trainees
5 For teachers, enter the name, address, and telephone number of the academic institution where you taught in 2019 ▶

6 For trainees, enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2019 ▶

7 Enter the type of U.S. visa (U or O) you held during ▶

2013

2014

2015

2016

2017

2018

If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.

8 Were you present in the United States as a teacher, trainee, or student for any part of 2 of the 5 prior calendar years (2013 through 2017)? ▶

If you checked the “Yes” box on line 6, you cannot exclude days of presence as a teacher or trainee unless you meet the exception explained in the instructions.

Part III Students
9 Enter the name, address, and telephone number of the academic institution you attended during 2019 ▶

10 Enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2019 ▶

11 Enter the type of U.S. visa (F, J, M, or Q) you held during ▶

2013

2014

2015

2016

2017

2018

If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.

12 Were you present in the United States as a teacher, trainee, or student for any part of more than 5 calendar years? ▶

If you checked the “Yes” box on line 12, you must provide sufficient facts on an attached statement to establish that you do not intend to reside permanently in the United States.

13 During 2019, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to change your status to that of a lawful permanent resident of the United States? ▶

14 If you checked the “Yes” box on line 13, explain ▶

For Paperwork Reduction Act Notice, see instructions.
**Tax Return Filing**

- Tax returns due April 15, extensions available to 10/15 if filed by 4/15, but payment must be made by 4/15.
- OGS has partnered with Sprintax to assist international students and scholars with preparing their 2019 federal and state tax returns. Go to OGS website for further information.
- You may continue to use Glacier Tax Prep (GTP) to file your tax returns as in prior years, however it will be at your own cost. OGS no longer has access codes for GTP.
- Various other software programs available, or print off paper forms for filing from IRS and/or state websites.
**Identification Numbers - All Taxpayers**

- Social Security Number
  - Engaged In a Trade Or Business (Employment)
  - Form SS-5
    - Must Present Proof Of Identity (Passport/Birth Certificate)
    - Work Authorization
- Individual Taxpayer Identification Number
  - Form W-7
  - Tax Use Only - for Those Ineligible To Receive Social Security Card (generally those ineligible to Work)
  - May be needed for dependents who do not have Social Security Numbers, but only if eligible to claim other dependent credit
  - Can contact OGS for certification letter
Sources Of Income

- Compensation for Services (W-2, 1099 or 1042-s):
  - If Activity Performed Outside The U.S.: Foreign Source
  - If Activity Performed Inside The U.S.: U.S. Source
  - Treaty or foreign employer- paid amounts may qualify for exemption for NRAs

- Taxable Versus Non-Taxable Scholarships and Fellowships – Form 1098-T
  - Degree candidates
  - Tuition, fees, and course-related expenses (only if required by all participants in course)
  - Treaty exemption may apply for NRAs
  - For taxable amounts not reported on Form W-2, enter ‘SCH’ next to taxable amount on return

- Interest/Dividends/Capital Gains (Form 1099 or 1042-s)
  - US vs. foreign payor; ‘tax home’ for capital gains and importance of 183-day threshold for nonresident aliens
  - Treaty and Code exemptions/rate reductions may apply to NRAs
## Form W-2

**W-2 Wage and Tax Statement**

### Employee's Social Security Number
- **a** Employee's social security number
- **b** Employer identification number (EIN)
- **c** Employer's name, address, and ZIP code

### Tax Information
- **1** Wages, tips, other compensation
- **2** Federal income tax withheld
- **3** Social security wages
- **4** Social security tax withheld
- **5** Medicare wages and tips
- **6** Medicare tax withheld
- **7** Social security tips
- **8** Allocated tips
- **9** Nonqualified plans
- **10** Dependent care benefits
- **12a** See instructions for box 12
- **12b** Statutory employee retirement plan third-party sick pay
- **13** Other
- **12c**
- **12d**

### State Information
- **15** State
- **16** State wages, tips, etc.
- **17** State income tax
- **18** Local wages, tips, etc.
- **19** Local income tax
- **20** Location name

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**Do Not Cut, Fold, or Staple Forms on This Page**

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PwC
Form 1042-S – Issued by GU in mid-March
**Individual Tax Filings- US Citizens and Residents**

- The standard deduction is allowed-$12,200 single, $24,400 Married Filing Jointly
- Personal exemptions: No longer available
- Itemized deductions, if exceed standard deduction, include: state and local income taxes withheld/paid, US real property taxes (taxes limited to $10,000); mortgage interest; contributions to U.S. charities; casualty/theft losses and medical expenses (the last 2 subject to significant limitations)
- Deductions available for student loan interest, certain credits also available
Individual Tax Filings - Nonresident Aliens (NRAs)

• A NRA’s itemized deductions are generally limited to: state and local income taxes paid; contributions to U.S. charities; casualty/theft losses
• Deduction available for student loan interest.
• US source investment income earned by NRAs is generally taxed at a flat 30% rate; may be lower under treaty (or 0% for bank interest)
• The standard deduction is not allowed (exception: students and business apprentices from India)
Student Loan Interest Deduction (US Citizens, Residents, and NRAs)

- First $2,500 of qualified student loan interest
- Gradually reduced if modified AGI is more than $70k for Single filers and more than $170k if Married Filing Jointly
- Should receive Form 1098-E
- Not available if married filing separately or claimed as an exemption on another’s return
Tax Treaties (NRAs Only)

- Most treaties give special treatment to foreign students and scholars
- If exemption applies, claim on page 5 of Form 1040NR; Form 8833 may also be required
- Exemption guidelines published by the IRS in Publication 901, Table 2 (available at https://www.irs.gov/individuals/international-taxpayers/tax-treaty-tables)
  - Time limitations
  - Maximum dollar amounts
Just because an individual is from a treaty country doesn’t mean that a treaty benefit is available.

May need to determine:
- The individual’s country of residence
- Whether his or her U.S. residency status qualifies
- Residence of the payor
- Whether income paid is covered by the treaty
- Whether there are any specific qualifications in the articles that apply
  - Time
  - Amount
Publications/Information

• Helpful IRS Publications
  - Publication 17: Your Federal Income Tax
  - Publication 519: U.S. Tax Guide For Aliens
  - Publication 901: U.S. Tax Treaties
  - Publication 4011: Foreign Student and Scholar Resource Guide
  - Publication 970: Tax Benefits for Education

• Internet Addresses:
  - www.irs.gov/forms-instructions
Questions?
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